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'Il Perturbante': Faint in Florence

By Mary Blume
International Herald Tribune

FLORENCE — In addition to the usual tourist ailments of sore feet, queasy stomachs and smoggy pocketbooks, a new emotional disturbance has been uncovered by a psychiatrist in Florence: the Stendhal Syndrome.

Dr. Graziella Magherini, chief of psychiatry at the Santa Maria Nuova hospital, which is five minutes from the great tourist attractions of Florence, has studied the syndrome in 107 patients over a period of eight years. A panic state resulting from the tourist's confrontation with the cultural weight of Florence, the Stendhal Syndrome is expressed in its more acute forms by a loss of sense of reality and identity, by deprivation anxiety and by insomnia.

"The external world becomes less real to the patient and at the same time he or she often has a feeling of being scrutinized, which causes anguish accompanied by guilt — why are they looking at me and what have I done?" says the distinguished gray-haired doctor. "Some feel they are being persecuted."

Florence, claustrophobic and with too much to see in so small a space, is the ideal incubator for the *disagio*, or sense of unease, that characterizes the syndrome. The city's historical center has no shops that sell ordinary objects from daily life — vacuum cleaners, socks, photographs, records, birdseed — and instead there is an unremitting and, to modern tourists, often baffling sense of the past.

As many cultivated foreigners have noticed over the decades, Florence is also socially a very closed city and it may be that this sense of exclusion rubs off even on mass tourists today.



Mikhail S. Gorbachev, left, and General Wojciech Jaruzelski exchange remarks during Warsaw arrival ceremony.

Pan-European Summit Talks Are Proposed By Gorbachev

By Jackson Diehl
Washington Post Service

WARSAW — Mikhail S. Gorbachev offered on Monday to withdraw some Soviet military aircraft from Eastern Europe if NATO canceled a plan to redeploy 72 U.S. F-16 fighter bombers from Spain to Italy.

In a speech to the Polish Sejm, or parliament, the Soviet leader proposed a pan-European summit conference to discuss "how to break the vicious circle and move from words to action in the field of reducing conventional arms."

[U.S. State Department officials told the International Herald Tribune that the basing of F-16s "has been and will continue to be a NATO matter" and that "if the Soviet Union is sincere in its pursuit of conventional reductions, it will work in Vienna to achieve a mutually acceptable negotiating mandate for new arms control talks covering NATO-Warsaw Pact conventional forces from the Atlantic to the Urals."

[In Brussels, Reuters reported that the secretary-general of the North Atlantic Treaty Organization, Manfred Wörner, said: "We are committed to establishing a stable and secure balance of conventional forces at lower levels in Europe. A focus on aircraft does not meet this central requirement."

The proposals suggested a new effort by the Soviet leader to appeal to Western public opinion through his six-day visit to Poland.

Later this week, Mr. Gorbachev will take part in a summit meeting of Warsaw Pact leaders. Western experts believe the meeting may decide on reductions of Soviet troops in the region.

The message of European security overshadowed Mr. Gorbachev's opening round of appearances in Warsaw and meeting with the Polish Communists leader, General Wojciech Jaruzelski.

Despite a major propaganda buildup by Polish authorities for Mr. Gorbachev's visit, his third and longest to Poland, only small crowds turned out to see him. Opening speeches by the two Communist chiefs repeated past accounts of relations.

Polish opposition figures and the banned Solidarity trade union had called on Mr. Gorbachev to make history by speaking out on the most painful unresolved issue between the two countries, the World War II massacre of Polish officers and other prisoners of war in Katyn Forest near Smolensk.

But though both Mr. Gorbachev and General Jaruzelski spoke at length about crimes and conflicts in the history between their countries, neither mentioned Katyn.

Mr. Gorbachev's speech also did not spell out details of the new arms proposals. It was unclear whether the United States would be included in the summit conference.

See GORBACHEV, Page 2

Gunmen Attack Greek Liner and Kill at Least 9

Compiled by Our Staff From Dispatches

ATHENS — Masked gunmen hurling grenades and firing sub-machine guns attacked a Greek cruise ship on an inter-island cruise on Monday, killing at least nine persons, the government said. About 80 people were reported wounded.

Scores of people dived overboard to escape the attackers who set the vessel on fire in the Aegean Sea. The gunmen fled in a small boat.

Athens radio said most of the 471 passengers on the 688-ton City of Poros were foreigners on an island-hopping tour.

Seventy-eight were wounded — most of them American, French and Swedish tourists. It was not clear whether they had been hit by bullets or grenade fragments or injured in the scramble to escape.

Earlier Monday, an explosion killed two persons and destroyed a car parked near the marina where the cruise ship was to dock in the Athens suburb of Psallo Faliron. The police speculated the car blast and the shipboard attack were connected.

The Greek Merchant Marine Ministry said the 63-meter-long (208-foot-long) ship specialized in day cruises through the islands in the Saronic Gulf.

After the attack, the ship, smoke pouring from its side, steamed 16 miles (26 kilometers) to the port of Piraeus, near Athens, and the wounded were taken to a hospital. The Minister of the Merchant Marine, Evangelos Yannopoulos, said that six persons died instantly in the hail of fire and three others died later in a hospital.

Panic erupted on the liner when it came under attack about three miles off the island of Aegina. "Most of the passengers jumped in the sea when the first explosions were heard," a passenger said. "It was absolute hell."

Another passenger said: "I saw one man taking a machine gun out of a bag and start shooting at the crowd. Another one hurled grenades and then it was absolute hysteria."

"People jumped in the sea and the ship's deck was ablaze," he added. "I heard two explosions. There was blood everywhere."

Passengers on nearby ships said three masked men fled in a small boat after setting the deck of the ship on fire. Government sources said air force planes, helicopters and coast guard vessels had launched a search for the attackers, whose identity was not immediately known.

An amateur photographer aboard a ship passing near the liner after the gunmen had fled shot film that was shown on Greek television. The film showed a helicopter hovering over the liner and at least 10 smaller vessels coming to the ship's aid.

The police said the two occupants of the car that exploded in Psallo Faliron were believed to be of Arab origin. The car had been rented to a Lebanese man, Hamoud Al Hamid, 36, the police said.

The car contained explosives, hand grenades and automatic weapons, the police said. They also said they found an Iranian magazine and huge sums in U.S. dollars scattered around the remains of the car.

The police said the two persons killed in the car explosion could have been connected to the gunmen on the cruise ship.

"Now it seems the two men in the car were waiting for their fellow terrorists to arrive with the ship and were perhaps their back up team," a senior police investigator said.

Captain Mavromatis, whose ship reached port four hours after the attack, said the attack set fires on the vessel and forced passengers to leap overboard into the water to avoid machine-gun fire.

At least two persons who jumped into the sea were killed by the ship's propellers, Captain Mavromatis said.

"The passengers started jumping into the water to avoid the machine gun fire of the attackers and at least two were killed by the ship's propellers," he said.

Two weeks ago, a U.S. military attaché in Greece, Captain William E. Norden, was assassinated by a booby-trapped car that exploded as he drove past in his bullet-proof car on his way to work. The terrorist group November 17 claimed responsibility for the killing.

(Reuters, UPI, AP)

U.S. Funds To Be Given To Iranians

By Bill McAllister
Washington Post Service

WASHINGTON — President Ronald Reagan, declaring he was "prompted by the humanitarian traditions of our nation," announced Monday the United States will offer compensation to the families of the 290 persons killed on the Iran Air flight shot down by U.S. Navy.

The decision was coupled with a U.S. expression of hope that diplomatic relations could be restored eventually with Iran.

There was no immediate Iranian reaction to the U.S. overtures.

The president's offer came eight days after the July 3 accident and on the eve of a United Nations Security Council debate into the incident. Mr. Reagan said again Monday the incident grew out of the U.S. cruiser Vincennes' "justifiable defensive actions."

The ship fired two missiles at the Iran Air A-300B Airbus, believing it to be an attacking Iranian jet fighter.

"I don't ever feel that compensation set a bad precedent," the president said.

The payments are subject to approval by Congress. But since the proposal has been supported by leaders of both parties, White House officials do not expect any significant opposition.

Both the amount and other details of the payments are yet to be determined, the White House spokesman, Marlin Fitzwater said. The payments will be "ex gratia," that is voluntary payments without any acknowledgment of wrongful acts by the United States.

Mr. Fitzwater acknowledged that the president is hopeful the offer will diffuse anger toward the United States during the UN debate. He invited the Iranian government to use the offer to open talks with the United States.

Diplomatic ties between the two countries have been severed since Iranians seized the U.S. Embassy in Tehran in November 1979, taking Americans as hostages. The U.S. often heeded the warnings by changing course, but do not acknowledge receiving them.

● The Vincennes was in voice communication, not a direct electronic link, with the John H. Sides, a navy frigate that had a conflicting radar picture of the flight. The Sides, patrolling 17 miles (27 kilometers) from the Vincennes, reportedly saw a plane on radar at 12,000 feet (3,650 meters) and holding level.

The more sophisticated radar aboard the Vincennes reportedly saw Flight 655 as descending in a threatening path. Officers said that Captain Rogers decided to rely on his own radar. The Pentagon has not said if the data sent by the Airbus included the altitude.

● Adding to the mystery, there were additional discrepancies pertaining to the two identifying signals that the Vincennes says were emanating from the civilian plane.

Unlike the Vincennes, the John H. Sides did not detect a military code from the civilian Airbus. The civilian signal it did

See AIRBUS, Page 2

Dukakis Is Defiant of Jackson

By David S. Broder
Washington Post Service

DENVER — Governor Michael S. Dukakis has sent a message of defiance to his rival for the Democratic presidential nomination, Jesse J. Jackson.

Mr. Dukakis had held his tongue for days as Mr. Jackson used the press to send implied threats of floor fights or protests over Mr. Dukakis' choice of a running mate, the Democratic Party platform and the schedule of next week's Democratic National Convention.

But on Sunday, the Massachusetts governor said: "Jesse Jackson can do anything he wants to do. I'm going to the convention and I'm going to win it."

At an outdoor news conference near here in Rocky Mountain National Park — where he sought to reaffirm his credentials as an environmentalist — Mr. Dukakis said that he was "not frustrated at all" by Mr. Jackson's increasingly public efforts to extract concessions before pledging his support.

"I think he and other good Democrats, many independents and maybe some Republicans will become part of our effort" once the delegates' votes are counted in Atlanta, Mr. Dukakis said.

Asked about Mr. Jackson's complaint that Dukakis aides were pressuring him to "surrender" on platform issues in return for a prime-time television speaking role, Mr. Dukakis again signaled that he does not believe Mr. Jackson deserves special consideration. "This is a large party with hundreds of thousands of people who participated in the process," he said. "If people want to go to the convention and debate certain issues, they are free to do so. But we're going to come out with a solid platform, what I hope will be a winning ticket and a united party."

Aides said that Mr. Dukakis is prepared to marshal his delegates to defeat potential Jackson challenges to platform sections on the military, foreign policy and taxes.

They said the governor was not seeking a personal showdown with his Democratic rival and expected further meetings before the convention between Mr. Jackson and either Mr. Dukakis or his campaign chairman, Paul P. Brontotas, who is conducting the search for a vice presidential candidate.

But one aide said earlier: "The choice of a running mate is Dukakis's to make and the convention is going to be Dukakis' launching pad, no one else's. Jesse Jackson has to understand that."

Nevertheless, Mr. Jackson made it clear over the weekend that he would not tone down his campaign merely because it seemed to be annoying the Dukakis camp.

"Why won't the campaign stop?" Mr. Jackson said at a rally Saturday in San Francisco. "This ain't no ordinary campaign. This is not the politics of go along to get along."

In an interview Sunday in Los Angeles, Mr. Jackson said that his meetings with Mr. Dukakis had been superficial and that the two needed to meet again to discuss the vice presidency and the platform.

Despite the growing animosity

See DUKAKIS, Page 2

Jackson has been sending ambiguous signals about the vice presidential nomination. Page 4



Sihanouk Quits Resistance Post



The Greek Merchant Marine Ministry said the 63-meter-long

OST FLIGHTS
SCOTLAND & GOLF
SS VOYAGES
Day Week Round Trip
HOTELS
SWITZERLAND
USA
FOR SALE & RENT
GOOD USED FURNITURE
EDUCATION

Kiosk U.S.-Soviet Exchanges Set

WASHINGTON (AP) — U.S. and Soviet defense officials said Monday that they will form a joint working group to avoid dangerous incidents between superpower military forces.

The Soviet chief of staff, Marshal Sergei F. Akhromeyev, and the chairman of the U.S. Joint Chiefs of Staff, Admiral William J. Crowe Jr., also announced that the two nations had agreed on a two-year exchange of visits involving warships, senior field and staff officers, military historians and marksmen. (Page 2)

On the Vincennes, Secrets, Tension and a Decision to Shoot

By Stephen Engelberg
New York Times Service

WASHINGTON — When dawn broke over the Gulf on July 3, a Sunday, U.S. commanders were armed with a valuable piece of secret information: intelligence experts had broken the coded electronic signals that Iranian F-14s had been using to identify themselves.

That intelligence breakthrough had enabled U.S. warships to identify F-14 fighters from miles away, according to military officials, giving an account of what happened.

Captain Will C. Rogers 3d of the U.S. cruiser Vincennes had every reason to have faith in the system.

As the Iranian Airbus took off from Bandar Abbas with 290 aboard, it was spotted by radar operators on the Vincennes as an unidentified target, leaving an airfield used by both military and civilian aircraft.

Within minutes, the ship's system for breaking the identifying code had received two signals. One was appropriate to both civilian and military planes. The second could only have been sent by a military transmitter, and appeared to have come from an F-14.

But while Captain Rogers knew what had apparently been transmitted by the plane on coded military frequencies, he was not aware that the aircraft had been exchanging routine flight instructions with the civilian control tower, broadcast on open radio channels.

The lack of information about the control tower is important because the Vincennes shot down the civilian Airbus in the mistaken belief that the coded signals were correct, and that the target was an Iranian F-14 fighter.

Iran said this weekend that the plane's conversations with the tower began 17 minutes before takeoff and continued throughout the eight-minute flight.

Had these been provided to Captain Rogers, they would have prompted doubts about his conclusion he was firing at a military jet.

Determining the quality and accuracy of the welter of electronic information available to Captain Rogers is at the heart of the efforts to explain how a warship crumpled with electronics shot down an airliner, killing all aboard.

While many questions remain, a reconstruction of events leading up to the downing of Iran Air Flight 655, based on interviews with military officers and administration officials, discloses new information that supports conflicting explanations of the incident.

It includes these details:

● The Vincennes used its system to read airplane identification codes at three points in the flight of the Iran Air plane, a circumstance that some technical experts insist makes it unlikely that the Vincennes picked up a signal from a far-off plane and erroneously attributed it to the Airbus.

● On the other hand, a U.S. listening post in Oman believes it detected an Iranian F-14 taking off from Bandar Abbas shortly after the Airbus, according to an official. If this intelligence report is confirmed by other evidence, the presence of this aircraft would lend some credence to the theory that the military code came from another plane. The Pentagon says this is unlikely since the Vincennes did not detect a separate flight.

● In a mock attack on U.S. ships in a 1978 exercise, while Shah Mohammed Reza Pahlavi was still in power, the Iranian Air Force executed a maneuver in which three fighter planes hid beneath the radar image of a Boeing 707 airliner. The planes flew just a few feet from the jetliner with their transponders turned off, allowing them to catch the U.S. ships unaware.

Despite this, Admiral William J. Crowe Jr., the chairman of the Joint Chiefs of Staff, has told reporters that there is no "pattern" of the Iranians using F-14s in this manner. The Pentagon discounts the likelihood of this tactic being linked with the airliner tragedy.

● While it remains unclear why Flight 655 failed to respond to at least five radio warnings on civilian emergency frequencies and seven on military channels, U.S. officials said they have learned that an Iranian military P-3 Orion flying nearby did monitor the warnings.

The officials did not explain the basis for this assessment or say whether the Orion made any attempt to pass on the information to the Airbus. One experienced navy officer said that Iranian aircraft over the

Mexico Says Salinas Has A Wide Lead
By William Branigin
Washington Post Service

MEXICO CITY — The Federal Electoral Commission, still releasing partial results from last week's elections, said Monday that the presidential candidate of the governing Institutional Revolutionary Party, Carlos Salinas de Gortari, held a wide lead over his opponents.

Opposition parties stepped up protests against alleged vote fraud. According to the semi-official tallies released early Monday by the technical secretary of the electoral commission, Fernando Elias Calles, Mr. Salinas was winning the presidential race with 52.8 percent of the vote, followed by Cuauhtémoc Cárdenas of the center-left, with 29.1 percent, and Manuel Clouthier, a conservative, with 16.6 percent.

Mr. Clouthier, 54, conceded defeat Monday, saying, "I cannot affirm that I have the victory."

He added: "I find it impossible to say which of the other contenders obtained the majority of votes. It is like we have been playing with a deck of marked cards."

Mr. Clouthier, the candidate of the conservative National Action Party, or PAN, charged that the elections for a new president and national congress had been marred by "the biggest fraud in the history of Mexico," an effort he said was "stage-managed" by state governors of the ruling party, known here as the PRI.

He vowed to lead a protest demonstration Tuesday to demand criminal charges against the National Registry of Voters, an organ of the powerful Interior Secretary.

See MEXICO, Page 4

Med Ad Quickly and Easily
IN THE
HERALD TRIBUNE

SOUTH AFRICA
 Brantford
LATIN AMERICA
 Bogota
 Buenos Aires
 Caracas
 Havana
 Lima
 Mexico
 Panama
 Santiago
 Rio de Janeiro

MIDDLE EAST
 Amman
 Beirut
 Cairo
 Dubai
 Jerusalem
 London
 Oman

FAR EAST
 Bangkok
 Bombay
 Hong Kong
 Karachi
 Manila
 Seoul
 Singapore
 Taipei
 Tokyo

AUSTRALIA
 Sydney
 Melbourne

NEW ZEALAND
 Auckland

Dow Jones
The Dollar
 in New York
 DM 1.842
 Pound 1.6915
 Yen 133.075
 FF 6.1975

Up 5.16

Saudis Say They Sought British Arms Partly to Cut Friction With U.S.

By Robert Pear
New York Times Service
WASHINGTON — In signing a huge arms deal with Britain, Saudi Arabia was trying not only to meet its military needs but to avoid a series of bruising political battles with Israel's strong supporters in the U.S. Congress.
The \$29 billion deal, already be-

U.S. to Join Soviets in Forces Study

WASHINGTON — The top military officers of the United States and the Soviet Union announced plans Monday for a U.S.-Soviet group to study ways to avoid dangerous superpower military incidents.

The announcement came as Marshal Sergei F. Akhromeyev, the Soviet chief of general staff, wound up an unprecedented tour of U.S. military bases and meetings with a wide range of Americans.

Mr. Akhromeyev met briefly with President Ronald Reagan in the White House. Later, at a news conference, he said that he understood the United States better after his five-day trip with Admiral William J. Crowe Jr., chairman of the U.S. Joint Chiefs of Staff.

Mr. Akhromeyev and Admiral Crowe said the two sides will form a military working group to explore past incidents, including the bumping this year of U.S. and Soviet warships in the Black Sea and the shooting death in 1985 of U.S. Army Major Arthur D. Nicholson by Soviet troops in East Germany.

They said the group will explore the two sides' abilities to communicate with each other, especially on an emergency basis when their military forces are operating near each other.

But Marshal Akhromeyev, 64, said the greatest benefit of his visit may have been talking with Americans in the nation's hearland.

"We met with hundreds of Americans," he said of his tour, which took him to North Carolina, Virginia, Texas, Oklahoma and South Dakota. "We familiarized ourselves with military equipment and with the servicemen of the U.S. services."

"In many respects, I didn't know how the American nation developed and how it emerged as it has today," Marshal Akhromeyev said with a smile that he had told Mr. Reagan "that human rights have not been violated, because I received answers to all of my questions."

Admiral Crowe, 63, will visit the Soviet Union next summer as Marshal Akhromeyev's guest. In addition, Defense Secretary Frank C. Carlucci will visit Moscow next month at the invitation of Defense Secretary Dmitri T. Yazov.

During his tour, Marshal Akhromeyev visited an aircraft carrier, watched marines and Army troops training and examined a B-1 strategic bomber.

The marshal said he was greatly impressed with the rural roads he saw and noted that the Soviet Union faced a major problem in a lack of roads through its farm belt.

ing described as the arms sale of the century, includes combat aircraft, helicopters, mine-hunting vessels and contracts for construction of air bases in Saudi Arabia.

"We would prefer to buy weapons from the United States," a Saudi official said Sunday, two days after the deal was announced. "American technology is generally superior. But we are not going to pay billions of dollars to be insulted. We are not masochists."

Lobbyists for U.S. aid to Israel see some merit, but not much, in the Reagan administration's contention that Israel would be better off if the United States continued as the main arms supplier to the Saudis. The lobbyists said they did not regret their opposition.

Saudi officials say U.S.-Saudi relations may improve if the friction over arms sales is eliminated. But American officials say the overall relationship may be damaged.

"The kind of military association we have had with Saudi Arabia is one of the bedrocks of our political relationship with that country," a State Department official said. "As the military relationship approaches the overall relationship will become more brittle and more susceptible to political stresses."

Israeli officials and members of the American Israel Public Affairs Committee, or AIPAC, have opposed U.S. arms sales to Saudi Arabia and other countries that have not joined the Middle East peace process. AIPAC is the only group registered to lobby Congress on legislation affecting Israel.

There were major fights in Congress before Saudi Arabia was allowed to buy military jets in 1978, AWACS surveillance planes in 1981 and missiles in 1986.

A Saudi official intimately familiar with the thinking of the royal family said Saturday:

"There is no logic in the opposition we are facing in Congress from the pro-Israel lobby. They are not accomplishing anything except showing that AIPAC can deliver senators. Israel is not more secure. We just buy from another source. And if the pro-Israel lobby is trying to disrupt the U.S.-Saudi relationship, they are not succeeding. We are preserving the relationship by taking away the area over which Congress has control."

AIPAC's chairman, Robert H. Asher, declined to comment.

Other supporters of Israel defended their opposition to the sale of U.S. arms to Saudi Arabia. They argued that American support was the best available and that the United States was obliged to restrict its arms sales, regardless of what other countries might do. They contended that the Saudis were trying to play off the United States against other countries.

Robert G. Neumann, a former ambassador to Saudi Arabia who is now chairman of the American-Saudi Roundtable, an organization of American companies with interests in the Middle East, said the deal announced Friday in London represented "a colossal loss of American jobs and investment."

Mr. Neumann, the director of the Middle East program at the Center for Strategic and International Studies, a research institute in Washington, said the weapons sought by Saudi Arabia were needed to protect the kingdom against Iran, whose Islamic revolutionary government is seen as a potential threat to the Saudis' conservative social system.



KUWAITI OFFICIAL IN WASHINGTON — The U.S. deputy secretary of state, John C. Whitehead, greets the prime minister and crown prince of Kuwait, Sheikh Saad al-Abdullah as-Saleh as-Sabah, on the grounds of the Washington Monument upon his arrival.

AIRBUS: On the Vincennes, Secrets, Tension and a Decision to Shoot

(Continued from Page 1)
pick up had a number different from the one detected by the Vincennes.

The missiles were fired at virtually the last possible moment. Missiles cannot be effective when the target is inside a certain distance.

The Vincennes had limited equipment to send and receive the VHF frequencies used by control towers for long-distance radio communications.

With investigators beginning to pore over the combat tapes from the Vincennes, many aspects of the affair remain unclear.

There are three essential issues before the investigators.

The first is whether Captain Rogers acted properly, given the information at his disposal.

The second is whether any of the information he used to make his decision was inaccurate or distorted, either because of human error or technical failure.

Third, the investigators will have to examine whether there was any data Captain Rogers should have had but did not.

At the heart of the inquiry are procedures used to distinguish between friendly and enemy aircraft. The navy has a number of tools to do this, including IFF.

The IFF system is considered a relatively crude instrument. It is designed primarily to distinguish between friendly and enemy aircraft in a war. "IFF stands for 'identification friend or foe,'" said Norman Friedman, an author on naval radar systems. "That means, 'Give me the right signal or you are the enemy.'"

This system sends out an electronic beam signal along a particular bearing at which a ship has spotted an unidentified plane. When the beam strikes the transponder carried aboard most aircraft, it triggers a signal, which is sent back. The identification system measures the time it took to receive a response.

This allows it to calculate the distance of the transponder sending the signal.

Shortly after Iran Air's Flight 655 took off from Bandar Abbas, the Vincennes sent an electronic beam toward the airliner's transponder. According to the Pentagon, the answer was confusing.

The plane was detected as emitting a signal at a frequency called Mode 3. That made sense, because Mode 3 is used by all civilian aircraft as well as military planes. But it also appeared to be giving off an enciphered four-digit code in Mode 2, reserved for the military.

The 4-digit code was decoded and military officers said the number that popped up from this transmission was the same as the four-digit code previously associated with Iranian F-14 fighters. Officials disclosed, however, that the four numbers detected by the Vincennes were different from the code read the previous day when two F-14 aircraft flew close to another ship.

The ability to read the Mode 2 identification signal had been a closely guarded secret. In his first briefing on the incident last Sunday, Admiral Crowe said that the ship had received ambiguous information.

He declined to elaborate. Later in the week, with questions mounting, the navy decided to make public the information.

The assumption that a particular number is associated with a specific aircraft is based on observation.

The officers said the Iranians changed codes on occasion, so it was possible that a number linked to an F-14 in the past could be reassigned to another military aircraft, for example an F-4 jet designed to attack ground targets.

The F-14 aircraft were designed for air-to-air combat. Pentagon officials have said they assume the Iranians could have added weapons for firing at ships or deployed standard bombs.

There were a number of possibilities. Was the plane really an F-14? Was it a civilian plane that mistakenly had a military transmitter? Were there two planes out there?

The identification system could offer no clarification to the ship interrogated the transponder twice more. Both times the answer came back in Mode 2 and Mode 3.

With the F-14 code blinking in the command center, Captain Rogers tried to contact the plane by radio. No answer was received and the Airbus continued to fly toward the Vincennes. The radars indicated that after reaching an altitude of about 9,000 feet, it began descend-

WORLD BRIEFS

Meese Successor Reportedly Chosen

WASHINGTON (AP) — President Ronald Reagan has chosen Richard Thornburgh, a former governor of Pennsylvania, to replace Attorney General Edwin Meese 3d, an administration source said Monday.

The source said Mr. Thornburgh, who headed the Justice Department's criminal division from 1975 to 1977, had accepted the offer. The attorney general said last week that he would leave the Justice Department by early August. Mr. Meese said he had been vindicated by the conclusion of an independent counsel's investigation into alleged wrongdoing during his tenure without an indictment having been sought.

Haiti Human Rights Leader Is Killed

PORT-AU-PRINCE, Haiti (AP) — A leading Haitian human rights activist, Lafontant Joseph, was found stabbed to death Monday in a jeep just outside Port-au-Prince, Radio Metropole said.

Mr. Joseph, 54, a lawyer, was the director of the Center for Education for Human Rights, which he founded in 1986. He was a former member of the League of Human Rights. In November 1980, under the regime of former dictator Jean-Claude Duvalier, he was arrested, jailed and tortured because of his outspoken criticism of the government. He was ordered to leave Haiti but refused.

4 Sentenced to Life for Bologna Blast

BOLOGNA, Italy (AP) — A court convicted four rightists Monday of mass murder and sentenced them to life in prison for the 1980 bombing of the Bologna train station, in which 85 persons were killed.

Investigators said that the attack on the crowded train station on Aug. 2, 1980, was the work of neo-Fascists, possibly helped by elements of the Italian secret service seeking to destabilize the country and establish a rightist dictatorship. Those sentenced to life in prison were Valerio Fioravanti, Francesca Mambro, Massimiliano Fachini and Sergio Piaggio.

2 Youths Die in West Bank Violence

JERUSALEM (Reuters) — Israeli occupation authorities closed six West Bank schools Monday and threatened to shut more after widespread violence in which troops shot and killed two Palestinian teenagers, security sources said.

Officials at Tulikarm Hospital said Hassan Ahmed Aadaq, 16, died after being shot by a soldier during a violent protest by school students in the village of Anabta. In Nabbus, Palestinian sources said Faris al-Anabatsi, 17, was shot to death and four other Arabs were wounded.

Safety Board Faults DC-10 Brakes

WASHINGTON (UPI) — The National Transportation Safety Board said Monday that older brakes on DC-10 jetliners may fail during aborted takeoffs and advised the Federal Aviation Administration to tighten its standards immediately.

The recommendations followed an aborted takeoff by an American Airlines DC-10 at the Dallas-Fort Worth Regional Airport on May 21. The board said its preliminary investigation showed that McDonnell Douglas, manufacturer of the aircraft, had issued deficient standards for brake wear on the DC-10.

For the Record

Saudi Arabian security forces have foiled an attempt to smuggle arms into the country, apparently to disrupt this year's Muslim pilgrimage, the Al-Rai Al-Aam daily reported Monday. It said they had hidden in ice boxes, a common accessory for the faithful.

Officials from South Africa, Angola, Cuba and the United States opened talks Monday in New York on a timetable for the withdrawal of 40,000 Cuban troops from Angola as part of a peace settlement that would include independence for South-West Africa, or Namibia, which is ruled by South Africa. The four parties first met in London in early May and again last month in Cairo.

TRAVEL UPDATE

A Brisbane, Australia, will remain under a state of emergency until Tuesday after a huge leak of gasoline at a fuel depot. Several thousand people were evacuated when a 6-million-liter (1.6-million-gallon) tank ruptured Monday 10 kilometers (6 miles) from the city. No one was injured. Later, the evacuees were allowed to return.

Greek Air Controllers to Stop Work

ATHENS (Reuters) — Greece's 450 air traffic controllers warned Monday that airspace over the country would be closed for an indefinite period unless the government met demands for better working conditions and higher pay.

The controllers, who were banned last month from taking strike action, began refusing to eat or sleep as a way of moving into a state in which they would not be able to work. A union representative said Greece's 30 airports would no longer be able to operate by Tuesday afternoon. It was expected that the schedules of more than 1,000 international and domestic flights a day would be disrupted.

Gorbachev: Europe Summit

(Continued from Page 1)
which he said should be "a kind of all-European Reykjavik," referring to his 1986 meeting in Iceland with President Ronald Reagan.

In proposing that a move by 72 U.S. F-15s from Spain to Italy be halted, Mr. Gorbachev said only that an "analogous" reduction of Soviet planes could take place in Eastern Europe. The transfer of the U.S. planes has been arranged after Spain ordered that they leave.

Dukakis Hoping To Sway Thatcher

LONDON — Governor Michael Dukakis, the likely Democratic presidential nominee, said on Monday he would urge Prime Minister Margaret Thatcher to impose sanctions against South Africa.

"I hope we can persuade Mrs. Thatcher and the British government that given the tragedy, the pain, the unconscionability of apartheid, that we have to take action as an international community," Mr. Dukakis said on a British television program.

NATO Stand Elaborated

Mr. Warner's statement in response to Mr. Gorbachev said that the Atlantic alliance's priority was to cut land forces, according to Reuters. "On their own, aircraft do not capture and hold territory, a threat of particular concern to NATO," he said.

The West German, who took over on July 1 as secretary-general, said that achieving a stable and secure balance of conventional forces at lower levels was only possible by tackling "the massive forward deployment of Soviet ground forces."

What computers can learn from the Chinese warlords

These, he said, were deployed "far in excess of legitimate defense needs, with a capacity for launching surprise attack."

Mr. Warner added that the Warsaw Pact would have to make bigger cuts in tanks and artillery than the West to correct an imbalance. "A focus on aircraft does not meet this central requirement," he said.

The former Bonn defense minister said that verifying a withdrawal of Soviet aircraft from Europe would be especially difficult because they could be quickly switched from one area to another.

GULF: U.S. to Pay Compensation to Iranian Families

(Continued from Page 1)
nal 52 of which were not released until January 1981.

"We stand willing to open better relations with Iran," said Mr. Fitzwater, adding that the overtures would have to come from "authoritative" representatives of the Iranian government.

The president's decision calls for payments directly to the families of the persons killed on the Airbus, not to the Iranian government. The question of whether the U.S. government will compensate Iran for the loss of the government-owned jet has yet to be addressed, Mr. Fitzwater said.

STENDHAL: Florence Can Floor the Uninitiated

(Continued from Page 1)
travel stress. The pathology is distinctly connected with being in a place imbued with history and rich in art. An historical site brings a reminder of death. Dr. Magherini says, and looking at the same time at art works can provoke a general cultural shock.

Dr. Magherini first became aware of the syndrome, which she also calls *Il Perturbante Turistico*, when she noted an increased number of foreign tourists among her psychiatric patients at Santa Maria Novella. Men and women seem to be equally disturbed, she says, and the patients' ages range from 20 to 40. Tourists traveling alone or in small groups were most often afflicted.

She cites as typical the case of a schoolteacher from a small Swedish town who came to Florence to study art for 10 days and who felt immediately uncomfortable in her pensione when she noticed men looking at her.

"She didn't realize that this is just a Mediterranean attitude, she felt aggrieved," Dr. Magherini says.

The case became acute when the woman was studying a Last Judgment in the Church of Santa Maria Novella. "She saw only women being judged, she felt she was going to die and be judged," Dr. Magherini says.

Other patients have reached crisis point in front of paintings by Raphael, Michelangelo's David, Caravaggio's Bacchus, and under the concentric circles that decorate Brunelleschi's cathedral dome.

If Florence is the perfect catalyst both for the Stendhal Syndrome and its study, other centers of mass cultural tourism have been following Dr. Magherini's work. She says she has had inquiries from a Paris hospital near Notre Dame, the Hotel Dieu, and from the cities of Venice and Jerusalem. On the other hand, there has been no sign of interest from the city of Rome.

"Rome is such a jungle," Dr. Magherini says, shrugging her fine Florentine shoulders. "Maybe they've never even noticed that the syndrome exists."

Her study is backed by public funding because tourism is a chief source of revenue for Florence, whose 426,000 inhabitants receive six million visitors a year. Obviously, nervous collapse is not good for business.

"There is too much history here," says Stefano Crivelli, the architect who is working with Dr. Magherini. Opening up the center by moving services to the edge of town and giving freer access to the green hills around the city are two ways he suggests of relieving pressure.

It would also be better for the tourists, and for the city, if they stayed longer. At present the average stay is two days and some tourists come for only eight hours.

STENDHAL: Florence Can Floor the Uninitiated

(Continued from Page 1)
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DUKAKIS: A Defiant Note

(Continued from Page 1)
from the Dukakis camp. Mr. Jackson echoed the Massachusetts governor in saying he was confident the issues could be resolved without splitting the party.

Mr. Dukakis returned Sunday to Boston, where he faces a critical week of decision-making. The announcement of his vice presidential choice is expected before he goes to the convention in Atlanta.

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What computer users can learn from the Chinese warlords.

When the computer industry was first born, its propagators set up individual fiefdoms, much like the ancient Chinese warlords.

Each company staked its claim in different ways, but each ensured that its customers would remain indentured.

How?

Because Company X computers worked only with other Company X computers. Because Company Y computers communicated only with other computers from the same vendor. And because the technology to open up these barriers was either too complicated or too expensive.

But like the reign of the Chinese warlords, the computer monopoly also is coming to an end at the hands of progress.

Today's users are demanding openness. They want to move data easily among dissimilar computer

systems, to take an application from one computer and run it on another. They want to choose products based on what they need and how well it serves their purposes, not because it's the only option.

This openness will fundamentally change the computer industry. And because so much is riding on our ability to meet this challenge, it is crucial that it be met intelligently, aggressively.

Perhaps there is something to learn from the fate of the Chinese warlords.

The information processing industry is feuding over two sets of standards for openness. This is a disgrace.

The need for openness

and user interest in it should come before the selfish interests of vendors trying to protect their schemes.

The issue isn't whether AT&T's UNIX prevails over the newly formed Open

Software Foundation's. The issue is that open systems are not a figment of some consultant's imagination. They are a fact.

The issue is that even users of proprietary systems benefit from open systems because of greater access to new and more plentiful applications.

The issue is that this is a great opportunity for the computer industry to band together to encourage progress and shape it for the greater good.

And finally, the fact is that unless we all do it together, history proves how disunity is the quickest formula for failure.

If you think a unified UNIX standard is important, tell your computer company. There's no time to lose and everything to gain.

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or Reportedly Chosen

President Ronald Reagan has chosen...

Rights Leader Is Killed

A leading Haitian human rights leader...

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A court convicted four rights leaders...

in West Bank Violence

Israeli occupation authorities...

Faults DC-10 Brakes

The National Transportation Safety Board...

AVEL UPDATE

Controllers to Stop Work...

CHEV: Europe Summit

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NATO Stand

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هكذا من النهر

Sihanouk Quits the Coalition

Action Surprises Asian Diplomats

BANGKOK — Prince Norodom Sihanouk, considered central to resolving the conflict in Cambodia, has resigned again as head of the Cambodian resistance coalition, his office announced Monday.

The surprise announcement cast doubt on whether he would attend informal peace talks planned this month in Indonesia, although aides said the prince would continue to work for peace in Cambodia.

He left Bangkok later Monday for exile in France.

"For serious reasons that are, for the moment, impossible for me to enumerate and to explain, please allow me today to resign," he said Sunday.

The prince said before leaving: "I will continue my efforts to help my country and my people."

He said his son and spokesman, Prince Norodom Raoraidh, would take his place at talks in Jakarta on July 25, the first meeting of all factions involved in the nine-year conflict.

The announcement that Prince Sihanouk was resigning startled diplomats engaged in elaborate maneuvers to bring the warring Cambodian factions together.

Diplomats in Bangkok said they felt the prince was either pressuring China to neutralize the Khmer Rouge, the biggest faction in the coalition, or trying to force Vietnam to be more conciliatory in its approach to the talks.

Aides said it did not mean the end of efforts by Prince Sihanouk to bring an end to the fighting and re-establish himself in a position of power in his homeland.

Diplomats said the prince's presence at the talks could not be ruled out.



Secretary of State George P. Shultz and President Suharto of Indonesia in Jakarta on Monday.

U.S. Not 'in Decline,' Shultz Tells Asians

By Elaine Sciolino
New York Times Service

MANILA — In an effort to dispel a growing perception in Asia that the United States is a great power in decline, while nations like Japan are on the rise, Secretary of State George P. Shultz said on Monday that the United States was enjoying "unprecedented growth and prosperity," worthy of emulation by Asians.

"The United States is doing just fine in adapting to change," Mr. Shultz said in what officials described as a major economic policy speech. "It is a basic characteristic of our society."

Speaking to the Indonesian Economist Association in Jakarta before flying to Manila, Mr. Shultz, a former professor of economics, described low inflation, a decline in unemployment, an increase in U.S. output of manufactured goods, a decline in the balance of trade and the targeting of budget deficit goals as factors contributing to economic strength.

Even with the largest trade deficit in the world, "the United States has a stronger economy than ever before in its history," he said.

American officials traveling with the secretary of state said that his intention was to impress upon U.S. trading partners in Asia that the provocative thesis of "The Rise and Fall of the Great Powers," a book by a Yale history professor, Paul Kennedy, was unsound.

"The hidden agenda was to counter the Kennedy thesis that the United States is in decline," an official said. "The only debate we had was how overtly to make that point. We didn't want to appear to be on the defensive."

In response to a question on the book, which is on the best-seller list in a number of Asian countries as well as in the United States, Mr. Shultz denied that its central theme — that great powers decline economically when they take on military missions beyond their grasp — applies to the United States.

"You only get a best-seller if you say that things are going to hell in a handbasket," said Mr. Shultz. "Since I don't think that, I'll never make it on the best-seller list."

Mr. Shultz said that the United States could double its military spending and the U.S. economy could still "handle that without any difficulty." He added that the United States was "nowhere near any kind of break point."

In an apparent attempt to alert Asia that the United States did not feel threatened by Japan's economic growth, Mr. Shultz said that Washington "will be glad to see other countries do well because we think it will help us, too."

He made it clear that the era of unrestricted access to U.S. markets, which contributed to a record trade deficit, was over.

He praised Japan for making structural reforms to encourage

growth at home, expand world trade and prevent a global recession, and he criticized West Germany for not taking enough steps in that direction.

Mr. Shultz criticized the countries of the Association of South East Asian Nations for retaining high tariffs.

"Such trade barriers in Asia provide a rallying point for those in the United States who wish to increase protectionism and, from an Asian point of view, also reduce competition and consumer choice at home," Mr. Shultz said. "To this I can only say that protectionism is

arson that eventually burns down everyone's house."

Mr. Shultz also warned Asian countries to abandon rigid structural policies that, he said, prop up inefficient industries, subsidize exports, restrict foreign investment and allocate resources by government fiat.

Singapore's Wedding Woes

Educated Women Too Choosy, Officials Complain

By Seth Mydans
New York Times Service

SINGAPORE — Daniel Lim is suffering from hypergamy, a widespread ailment that is causing the government of Singapore serious concern about the future of its economy, social structure and national defense.

Hypergamy is the tendency to marry "upward," used here to refer to the practice of women who choose a husband better educated, wealthier, even taller than they are — and to stay single if they cannot find such a person.

Fully 30 percent of college-educated women in Singapore, unable to find the man of their dreams, remain unmarried today — even as nearly all their poorly educated sisters continue to marry and have babies.

Men like Mr. Lim, according to government officials, often end up marrying "downward" — hypergamy — after they fail to win a woman of their own educational level.

Prime Minister Lee Kuan Yew expressed alarm a few years ago at what he said was doing to the gene pool, asserting: "Levels of competence will decline, our economy will falter, our administration will suffer and society will decline."

Quantity is also worrying Singapore's planners in light of the overwhelming success of the "two is enough" campaign to encourage small families.

The planners are aiming for the current population of 2.6 million to grow to 3.4 million in the next few years. But the fertility rate — the number of children a woman is likely to bear — has dropped from 4.7 in 1965 to 1.44 last year, below the replacement rate of 2.1.

A year ago, the acting health minister, Yeo Cheow Tong, warned that the resulting decline in the population of young people would mean a drop in the tax base to support the elderly, as well as a lack of recruits for the armed forces.

In hopes that a new campaign will work as well as the old one,

the government is now urging people to have bigger families. It is offering a package of incentives that replace previous inducements to "stop at two."

These include tax rebates, child-care subsidies and priority in obtaining government-subsidized housing.

And in an effort to assure quality in a hoped-for baby boom, the government has instituted a matchmaking service that seeks to marry off that 30 percent of educated women whose children, theory has it, will assure that society does not decline.

This service, the Social Development Unit, gets college-educated men and women together on moonlight "love cruises," tea dances, bowling clinics and seminars on such subjects as personal investing.

The service says that it has 7,000 registered members, and that it has produced nearly 500 marriages since its founding in 1984.

"If you want to produce geniuses, you have to get the graduate man to marry a graduate girl," according to the unit's deputy director, Helen Wang.

She said well-educated single women may be highly productive in the workplace, "but they are not fulfilling their function of having families."

A good part of the unit's efforts go into propaganda, Ms. Wang said.

"We try to tell our girls not to expect too much," she explained. "They want looks. They want money. They want security. They want a tall man. We have to change those ideals. You cannot look for Mr. Right or Mr. Perfect. So we ask our women to play softer, to play a little dumb if possible."

In Singapore, she said, men tend to concentrate on their careers and have little knowledge of social graces. "Some men come to us at the age of 30 and say they have never had a date," Ms. Wang said. "They are scorned as nerds. They do not know how to behave, what to do

with girls. We have a lot of nerds around here."

So, she said, "we try to teach them — maybe not to be Prince Charmings, but we teach them to be halfway, and out be frogs."

Mr. Lim, 29, a quality surveyor for the Defense Ministry and single, is a prime prospect.

On the day of the interview, he was in Ms. Wang's office, going through a book of snapshots of a recent five-day seminar he attended on "personal effectiveness."

"They were frank and direct," Mr. Lim said. "You are in this for one thing: You are in this to be paired off as early as possible."

Ms. Wang reminded him: "But we leave it to you whom to choose. We are not going to tell you whom to pair off with."

Mr. Lim recalled: "The counselor was promoting me to the girls, and she was telling me, 'You better move fast. She's very popular.'"

"May the best man win," Ms. Wang said.

Newspapers, ever responsive to government campaigns, have joined the mating game with articles on the joys of dating and on overcoming shyness.

A booklet called "Living and Loving," published by the Curriculum Development Institute of Singapore, urged young readers to give dating a try.

"Many young people in Singapore do not know what dating is, all about except that it is a high-risk activity during which they may lose their high grades and their peace of mind, or become the subject of gossip," the booklet said.

It suggested a number of "nutty ideas" for dates, including "playing Scrabble on the beach armed with a dictionary and a thesaurus" or going to a foreign film at the Goethe Institute.

Once its readers have gotten the idea, it urged them: "Now be creative and make up a list of all the outy things you would like to do together, like after the exams."

Police Use Force to End Rally in Opposition

Officially authorized and demonstrators followed a route approved by the police.

Carlos Huembes, an anti-Sandinista labor leader who is prominent in the Democratic Front, was among those leaders who led the march, which was organized by the group, which includes trade unions, business groups and political parties. Two police officers were arrested.

On Sunday, several dozen marchers moved through the streets of Nandime. Some were local residents, but most came from Managua. The town was militarized, with some of the armed with automatic rifles.

When the marching ended, the protesters moved to an anti-Sandinista meeting place. The first speaker was Miguel Guello, a leader of the Christian Party.

"We are here to demand that the Sandinista government live up to its promise to bring democracy to Nicaragua," she said.

She had been speaking for less than five minutes when a demonstrator threw sticks and rocks at the speaker who then fired tear-gas grenades.

Soon more police charged on the crowd, swinging clubs and clubs at fleeing demonstrators. Some protesters were beaten and kicked.



a protest march in Nandime, Nicaragua.

China Parley and Polls Back Euthanasia

Beijing — A Chinese conference on euthanasia has proclaimed the "right to die" and called for a public campaign on "death education," the People's Daily said Monday.

It said a meeting of nearly 100 doctors, lawyers and scientists was held in Shanghai last week following opinion polls showing overwhelming support for mercy killing, or "peaceful and happy death" as it is called in Chinese.

A sample of radio listeners' letters earlier this year showed that 90 percent agreed with voluntary euthanasia for the incurably ill. A survey of Shanghai doctors found that many already practiced mercy killing.

Last week's conference debated problems such as the definition of brain death and whether euthanasia constituted a crime under Chinese law, the People's Daily said.

It said the participants proposed "large-scale death education to help everyone understand that people not only have a right to life, but also a right to die."

The meeting called for more discussion on the related social, cultural, philosophical and legal issues.

The Chinese media earlier this year expressed surprise at the apparent public support for euthanasia, saying it went against traditional moral concepts.

(AP, Reuters, AFP)

Secretary of State George P. Shultz and President Suharto of Indonesia in Jakarta on Monday.

Sosuke Uno of Japan and other Asian leaders.

Warnings against the Chinese-backed Khmer Rouge regaining power in Cambodia dominated meetings here last week between the six-member Association of Southeast Asian Nations, or ASEAN, and other Asian states.

In Jakarta, Indonesia's foreign minister, Ali Alatas, said the talks would go ahead, stressing that they were to involve all four Cambodian factions. "Who will come to represent each faction remains to be seen," he said.

Mr. Alatas said his government had received a letter from Prince Sihanouk in which he said, without elaborating, that he would visit Jakarta later this month.

In his letter, he apologized for canceling his visit to Jakarta that was to have begun Monday, Mr. Alatas said.

Mr. Shultz, who was visiting Jakarta, said he was surprised by the news of the prince's resignation. "I don't know quite how to interpret that, except that I certainly felt that, in my meetings with Prince Sihanouk, he had every intention in one way or another of seeing these things through," Mr. Shultz said.

(AP, Reuters, AFP)

Use a Wide Lead in Vote

... and the breakdown of a computer system, they had won the election. The electoral commission was counting preliminary results in a secret room.

The San Jose camp has posted a lead of 10,000 votes over the other camp. At least 100,000 votes were cast in the Federal District.

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Public Sessions

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Italy Lire	400,000	39	220,000	33	121,000	26
Luxembourg L.Fr.	11,500	37	6,300	31	3,400	25
Netherlands Fl.	660	40	365	33	200	27
Norway (air) N.Kr.	2,000	39	1,100	33	600	27
— (hd. del.) N.Kr.	2,500	24	1,400	15	700	15
Portugal Esc.	26,000	51	14,300	46	7,900	40
Spain (air) Ptas.	31,000	41	17,000	36	9,400	29
— (hd. del.) Ptas.	45,240	—	22,620	—	11,310	—
Sweden (air) S.Kr.	2,000	39	1,100	33	600	27
— (hd. del.) S.Kr.	2,500	24	1,400	15	700	15
Switzerland S.Fr.	510	44	280	38	154	32
Rest of Europe, N. Africa, former Fr. Africa, Middle East \$	470	Varies by country	260	Varies by country	145	Varies by country
Rest of Africa, Gulf States, Asia \$	620	Varies by country	340	Varies by country	190	Varies by country

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Herald INTERNATIONAL Tribune

Hope for Cambodians

The pace of diplomacy aimed at a settlement of the Cambodian question is picking up; some kind of breakthrough could come later this month.

How to Get Teamwork

Finally, after seven years, President Reagan's foreign policy and defense advisers are pulling together — including in their response to the airliner tragedy in the Gulf.

Other Comment

East Europeans Will Cope

Suppose that the steam in Eastern Europe can be released without blowing the roof off. Suppose that the Soviet Union gradually finds it possible to disengage from nations like Poland and Hungary and Czechoslovakia, leaving them, as we in the West put it, "free."

As the protests start to focus against the way previous protests were put down, they may turn more against the state power itself.

A Concise List of Engineers

Paying 30 pence for the better class of daily newspaper, I cannot help wondering why you still take up so much space at this time of year with giving us the degree class lists of Oxford and Cambridge universities.

An Ethnic Puzzle for Moscow

The Soviet Communist Party's extraordinary confidence did not settle the claims of Soviet Armenia, and so the unrest among Armenians has resumed with even more bitterness.

Tokyo Can Make a Better Case to Moscow

By Gregory Clark

TOKYO — It's time something was done to clean up Japan's messy "northern territories" dispute with the Soviet Union.

Franklin Roosevelt and his aides knew little about Japan's strong historical claim to these islands.

acquired peacefully in the 18th and 19th centuries as it expanded its influence north from Hokkaido through the Kurils to what was then the czarist territory of Kamchatka.

et Union could take over the Japanese territories of Sakhalin and the Kuril Islands. The United States confirmed Soviet right of ownership in the years immediately after the war.

have always belonged to Hokkaido. None of this means that Japan's case is airtight.

Government spokesmen told a special committee of the Diet soon after this that the term "Kuril Islands" as used in the treaty, included Etorofu and Kunashiri.

Needless to say, these arguments make little impression on Moscow. If Tokyo could be a little less dogmatic and a little more realistic it could improve its case enormously.

How Not to Pin the Tail on the Donkey

By Horace W. Busby

WASHINGTON — Before the Democratic Party's new leaders settle on a vice presidential nominee, they should bone up on the party's record in one year — that is, in years when no presidential incumbent is seeking re-election and the White House is thus open.

Why such a dismal record? Democrats have not lost with second-stringers. William Jennings Bryan, Al Smith, Adlai Stevenson and Hubert Humphrey held open-year tickets that failed.

On the 10 winning Democratic tickets, the vice presidential candidate has always been from the Central Standard Time zone.

Time-zone overlaps with both candidates from states fully or partially in the same time zone, have been high risk. While Democrats have twice won on such tickets, overlaps have lost five times, the most losses for any configuration.

Regard Israelis' Fear as a Problem to Be Solved

By Judith Viorst

WASHINGTON — Although the oews from the Middle East has been unrelentingly bleak, I've found some hope to lean my despair. For under the anger and bitterness, I heard from the many people I spoke with there a great wish on all sides to be done with the hostilities.

But if that is the only lesson of those photographs, then Israel and Jews are in a lot of trouble. For although I agree with Elie Wiesel, who argues that the Holocaust cannot be compared with anything else, it surely must teach us, along with its powerful political lesson, the dangers of regarding any people as anything less than fully human.

in response to the uprising. How many bones are they willing to break to compel a desperate people to relinquish their claims to a name and a state of their own? How much humanity will they give up for survival?

Neither Side Planned the Palestinian Exodus
NEW YORK — An Israeli journalist, Benny Morris, has written a careful and timely book about the origins of Israel's endless conflict with Palestinian refugees.

Some Israelis hate the Palestinians. I have returned from the Middle East with a slight flutter of hope because I believe that both sides are disposed to make peace.

He has pieced together, with clinical detachment, what happened in hundreds of cities and settlements. Here is the story that emerges: The exodus began after November 1947, when Arabs rejected a United Nations plan for partitioning Palestine, then under British rule.

Jewish or Arab. It was largely a by-product of Arab and Jewish fears and of the protracted, bitter fighting that characterized the first Israeli-Arab war; in smaller part it was the deliberate creation of Jewish and Arab military commanders and politicians.

100, 75 AND 50 YEARS AGO
1888: A Society Auction
LONDON — The sum of 28,142 pounds and two shillings is the result of the great sale at Christie's of arms and pictures from the Longlebury estate.

1913: Spaniards Pleased
MADRID — Great enthusiasm has been aroused in Spain by the suggestion made by the Harvard University men that a Spanish vessel should be the first to pass through the Panama Canal.

A New Leaf Or a Flash In the Pan?

By Jim Hoagland

PARIS — America's export boom is a thing of beauty. But could it turn out to be a flash in the pan, postponing the day of reckoning for the most massive budget and trade deficits the world has ever known?

But the fiscal and monetary policy of the Reagan years have at least temporarily changed that. The man who foreigners feared, and many Americans hoped, would turn out to be an isolationist has in fact presided over a sharp increase in American involvement in the world economy and particularly in trade.

In the past 12 months the sharp drop in the value of the dollar has spurred exports by about 30 percent in volume, comparing the first quarter of 1987 to this year.

As that great philosopher Spinoza once said, "It ain't necessarily so." It would be so unless manufacturers make the investment both in facilities and in outlook that is required to create and sustain an export culture.

West European business leaders estimate that it takes a generation to produce an export culture. American industry could probably cut that to a decade if resources were concentrated.

Not are the signs encouraging that American industry is making much sustainable progress in reconquering those parts of the domestic market that have been penetrated by foreign manufacturers.

This seems to me to add up to an unhealthy U.S. trade deficit that will juggle up or down in any given quarter but will not go away as long as consumption is not curbed by the classic measures of tax increases, interest rate hikes or a combination of the two.

1938: Hughes Lands
PARIS — Lanky, toulie-headed Howard Hughes, the millionaire of the movies who shattered all standards by landing his Lockheed "Flying Laboratory" in Paris yesterday (July 11) after having spanned the Atlantic in record time (16 hours and 31 minutes), may have made history — but to him the trip "really uneventful."

1938: Hughes Lands
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The Latest W Ethically Gau... For Austria and... 1938: Hughes Lands... 1913: Spaniards Pleased... 100, 75 AND 50 YEARS AGO... Neither Side Planned the Palestinian Exodus... Regard Israelis' Fear as a Problem to Be Solved... How Not to Pin the Tail on the Donkey... How to Get Teamwork... Hope for Cambodians... Tokyo Can Make a Better Case to Moscow... A New Leaf Or a Flash In the Pan?

مركز الأخبار

A New Leaf Or a Flash In the Pan?

By Jim Hoagland
PARIS — America's export boom is a thing of beauty, but could it be a flash in the pan...

The Latest Word on Meese: Ethically Gauche, Not Venal

By William Safire
WASHINGTON — Fifteen months ago I gloomily prophesied that the Wedtech scandal, then overshadowed by the Iran-contra affair...



LETTERS TO THE EDITOR

Why Should Israelis Listen Patiently to Cross Kibitzers?
Seldom do liberal intentions find such awkward expression as Richard Cohen's in his opinion column...

Driving Foreigners Crazy: Malaysia in Passing Gear

By Deborah Fallows
KUALA LUMPUR — I've been driving for more than half my life — right-hand drive, left-hand drive, automatic, four-on-the-floor, trucks, motor homes, vans, you name it...

AND 50 YEARS AGO
1938: Hughes-Lamb
The Hughes-Lamb... a... of... in...

GENERAL NEWS

Armenians Now Fear Surge in Violence

By Felicity Barringer
New York Times Service
MOSCOW — "Our young women greeted the soldiers with flowers when they came in a few months ago..."

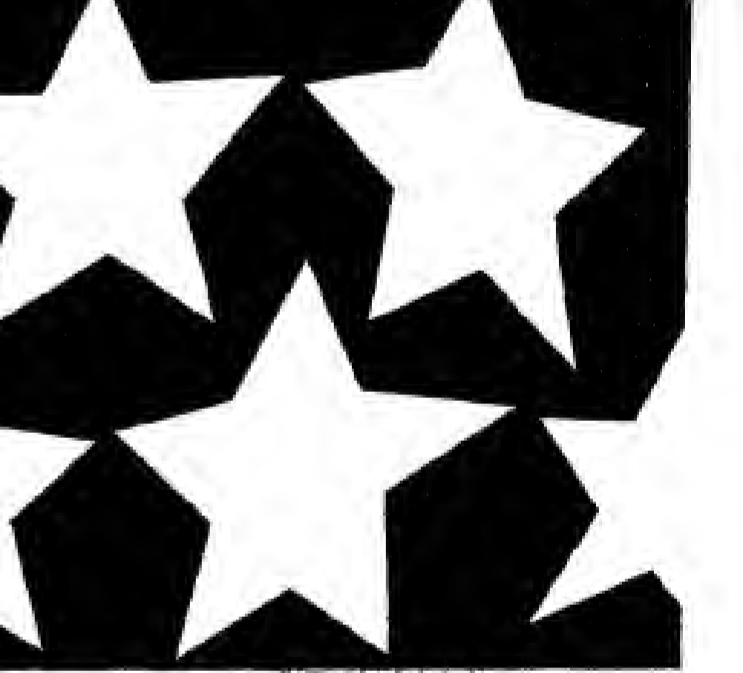
For Austria and Hungary, a 'Reunion'

By Henry Kamm
New York Times Service
BUDAPEST — Vienna and Budapest, joined until 70 years ago in the Austro-Hungarian Empire...

GENERAL NEWS

Back to Bach, Maestro

I have high regard for Yehudi Menuhin as a musician and as a man devoted to many public causes. But I feel I must speak out against his article on Israel...



USADIRECT Your Express Call to the States

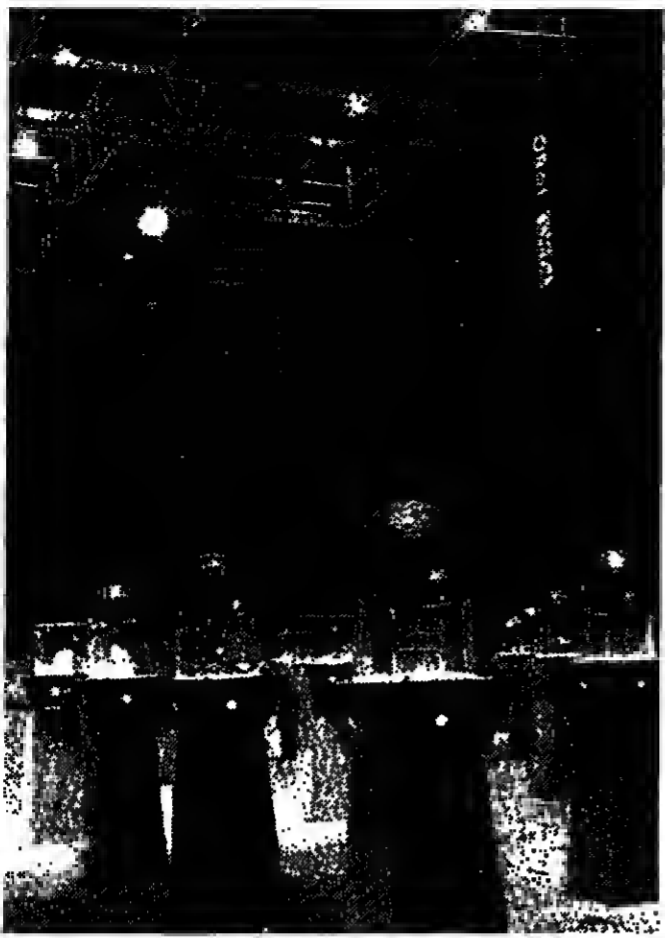
Calling the States when you're overseas has never been easier. With AT&T USADIRECT service, all you have to do is dial a number to be connected to an AT&T Operator in the U.S. in some countries...



ARTS / LEISURE

French Design in Miniature

By Jean Rafferty
PARIS — Ever-changing styles in food and fashion are a prime requisite of French cultural life. But design — whether of industrial objects, furniture, graphics or interior architecture — has never found its niche in the consciousness of a country obsessed with the gilt and splendor of its golden age.



Philippe Starck's design for a show on 30 years of French design.

As recently as 1982, the government tried to ban the very word, intending to replace it with "stylique" and designer by "stylicien." Design, both as a word and as a profession, has survived and French designers have recently racked up a number of international successes. Acclaim has been more pronounced abroad — especially in Italy, Japan and increasingly in the United States.

France has neglected the decorative arts and design, says Dominique Bova, president of the National Center of the Plastic Arts at the Pompidou Center. So in a move to right that wrong, design is being celebrated in an ambitious retrospective, "Three Decades of French Design, 1960-1990," until Sept. 26 at the Pompidou Center.

One purpose of the show will be to help the French themselves "discover that there is a French design," as Francois Burkhardt, the director of the CCI (Centre de Creation Industrielle), puts it. The show has been staged by the man some call the messiah of new wave French design, Philippe Starck.

"The French must learn that presentation is an important part of design," says Starck, a master of that particular art. He has come up with a solution stamped with the same stagecraft that has lured real-life cafe society from their Left Bank haunts to the popular Starck-designed Cafe Costes in Les Halles.

The so-called forum, on the Pompidou's lower level, has been transformed into a tented temple filled with the symbols of the best in French design rather than the actual manifestations. Golden arches introduce each decade where these icons of invention are displayed identically — a Renault's dramatically scaled down, a perfume bottle scaled up — as models on wooden plinths under Plexiglas domes, the latter inspired, according to Starck, by glass-domed Louis XIV churches. The rows of plinths stretch typocally into the distance, producing what Starck terms "a relatively exaggerated sense of ritualization; it makes it exciting, and I love excitement."

Starck maintains that "the change of scale helps to rediscover the object," but the decision was controversial. Scale is considered integral to a design and some designers refused to participate because they felt models betrayed the

models of cars, planes and trains are disappointingly undetailed. The cost of the models was a limiting factor. One designer said the model of his chair cost eight times the price of the original.

Some of the smaller objects are presented along with their models. Other domes conceal a surprise and visitors are advised to peer over the top. William Klein's photographs of Courreges dresses for Elle, for example, surround a pair of Courreges sunglasses.

The course of French design did not run smoothly over the three decades. The '60s bubbled with optimism. New materials demanded new techniques and French designers met the challenge with verve. These were the busy days of Quasar's inflatable chairs, Prisman's designer plastic furniture. In the early '70s President Georges Pompidou updated the Elysee Palace, but the oil crisis and economic slump, along with President Valéry Giscard d'Estaing's preference for the 18th century, made it lean days for contemporary design, with exceptions such as the Concorde, the Airbus and the Corail trains. The '80s, nurtured by a series of government promotions ranging from the interior decoration of the private apartments of the Elysee Palace by five contemporary designers to the Culture Ministry's design competitions backed up by substantial government orders, have brought a renaissance, but more in avant-garde limited editions than mass production.

Despite an '80s predominance of pur et dur graphic furniture — no sofas — that does not augur well for contemporary comfort, there is an irresistible and redemptive sense of humor.

After Paris, the show will go to London, Barcelona, Hamburg, Frankfurt, Milan and Sao Paulo.

Jean Rafferty is a Paris-based journalist who specializes in design and lifestyle.

Inn Survives in a Chaotic Haiti

By Joseph B. Treaster
New York Times Service

PORT-AU-PRINCE, Haiti — When the army staged a coup d'etat last month in Haiti, a handful of foreign reporters climbed to a creaky upper veranda of the Grand Hotel Oloffson to peer into the steamy darkness in the direction of all the shooting.

The next evening, the reporters were back on the palm-shaded terrace for food and drinks under the ceiling fans. There was more shooting, but no one stirred. Everyone correctly assumed that the army was merely celebrating.

Tourists are rare in Haiti these days. But the white clapboard Oloffson hotel, one of the most fabed inns in the Caribbean, manages a somewhat precarious existence. A favorite of the rich and famous, the venerable hotel, which took in its first guests 54 years ago, has also been an eating and drinking club for journalists, diplomats, specialists on underdeveloped countries, university researchers, the occasional missionary doctor and a few Haitian gadflies.

Graham Greene dropped in when Francois (Papa Doc) Duvalier was terrifying the country with his Tonton Macoutes in the 1960s and made it the centerpiece of "The Comedians," his novel about Haiti.

The Oloffson began as an elegant private residence, built before the turn of the century. The U.S. Marines used the mansion as a

hospital during their 19-year occupation of Haiti. When they left in 1934, the Norwegian-Haitian Oloffson family leased it and turned it into a hotel.

The hotel nearly died in 1986, in the months after the collapse of the Duvalier family dictatorship. Last fall, however, two Princeton University graduates, Richard Morse, 31, and Blair Townsend, 27, went to work reviving the Oloffson. Morse, a tall, gangly anthropology major who writes rock music and paints in the Haitian primitive style, produced some of the best service in the Caribbean. The food is pretty good, too.

Along with installing wicker chairs and tables that look like the original furnishings, Morse and Townsend fixed up the telephone system and the plumbing and covered the walls with local art.

Morse and Townsend, who have been engaged for seven years, have deep ties to Haiti. Morse is the son of Richard M. Morse, chief of the Latin America Department of the Smithsonian Institution's Woodrow Wilson Center in Washington. Emmanuelle de France, a Haitian dancer and singer, is the younger Morse's mother. And Townsend, as art historian and dealer, has concentrated on primitive Haitian works.

Morse's parents were old friends of Leslie F. Manigat, the onetime political science professor and former president who was overthrown last month. Before his ouster, Manigat gave Morse's mother an official in the newly created Ministry of Culture.

Manigat gave a pre-election news conference at the Oloffson rather than at the more practical Holiday Inn. The Holiday Inn, which is closer to the presidential palace, is the unofficial foreign press center. Manigat also held receptions at the Oloffson and called on the hotel for catering.

Morse prefers not to say what he thinks about the overthrow of Manigat. But the ouster brought a brief boom in business from foreign reporters. Now, the excitement has passed. On a recent night, Morse brought in woodoo dancers and drummers, and the bar and the terraces were packed.

On a more languid evening, Aubien Jolicoeur, an effie figure in a beige linen suit, sat perched on a high stool at the bar. Jolicoeur, an art dealer, newspaper columnist and place butterfly during the Duvalier years, still basks in the fame of his portrayal as Petite Pierre in "The Comedians." He was sorry about Manigat, Jolicoeur was saying, but denouncing the sense of balance that has served him well, was also glad for General Namphy, the new leader of Haiti.

Morse has covered his bets, too. "If there's trouble," he said, "we take care of the people attracted to the country by trouble. If there's peace, we're going to have tourists. We're ready either way."

The Delicate Art of Coming and Going

By Enid Nemy
New York Times Service

NEW YORK — SCHURMAN knows what he should do when he returns to New York after a vacation. He should, as he puts it, "go home, unpack, go into the office the next day with presents for everybody and be a nice guy."

He does none of those things. He times his return so that he can go directly to the office. Once there, he finds something to shout about. In the meantime, he is well aware of what the staff is thinking, and the next day he apologizes.

Schurman, an independent producer for PBS, doesn't know why

he's temperamental, but he's willing to admit that a too-rapid transition from play to work may affect his mood.

He admits, too, that his return-from-vacation pattern is somewhat odd because it's a direct contrast with the routine he observes before his holiday begins.

At that time, he spends the day getting himself into the right frame of mind.

"If I'm going to France, I'll try to have lunch in a neighborhood cafe with French food," he said. "If I drive myself to the airport, I'll put on a Piaf tape. By the time I take off, I'm in a good mood."

When it comes to vacation departures and returns, there's no telling what kind of a person does what.

Theoretically, the conservative and methodical will pack early, take off on Saturday, rather than Friday night, and return a day or two before they need to.

Theoretically, the live-life-to-the-minute types will dash from office to airport, return at midnight Sunday and show up for work early Monday.

That's theoretical. It just doesn't work that way. In New York's area, most people, like Schurman, are a combination of the two.

Tice Alexander, for example, doesn't care a bit about relaxing or getting into the right mood. He works until the last minute, runs home, packs in 15 minutes and barely makes the plane.

"I know I'll unwind when I'm going, so I don't care how I feel getting there," he said.

However, Alexander, an interior designer, comes back a day or two early "to open the mail, get things organized and be by myself before I'm called upon to perform," he said.

Helen Bransford goes along with Alexander's return pattern. "I'm happy to sacrifice what other people may consider the last sterling moment in order to have

time to decompress," she said. But she wants what she calls "the same corridor of time" to prepare mentally and practically before she leaves on a trip. She wishes it were otherwise.

"I wish I were the other kind because wonderful last-minute opportunities come up, and I'm floored by them," said Bransford, a jewelry designer. "I can't pack at the last minute and rush off. I have to think about how much I can pack and how many hours I'll need. I put a suitcase on the floor and throw things in it for days."

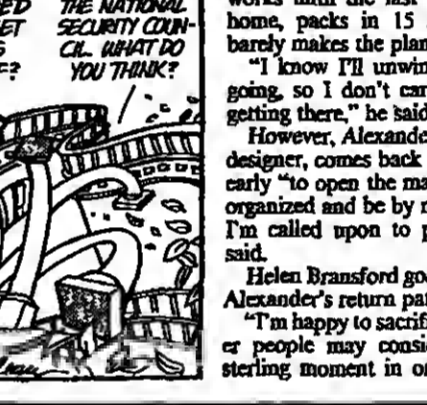
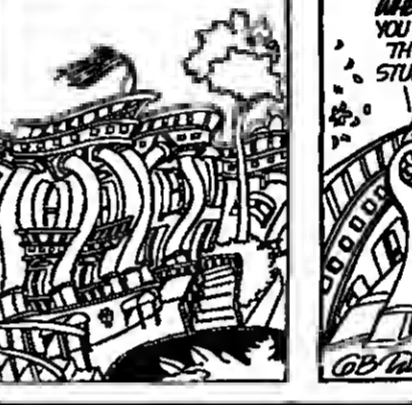
Michael Maas, an architect, and his wife, Jane, the president of Muller Jordan & Weiss, an advertising agency, pack the morning they leave.

They leave the office at noon, have a leisurely lunch and return home to pack up their luggage and a food hamper. When they know there's a chance of being upgraded to first class, the hamper usually contains caviar and champagne.

Lorna De Wangen, an art and furniture consultant, tries to avoid rushing. "Sunday is a nightmare at airports," she said. "There's no point hyperventilating and running all the good effects of the trip. When you're lying at the back of the bus, my way is the least stressful way of operating."

But, of course, they all say that

DOONESBURY



NYSE Most Actives table with columns for Vol, High, Low, Last, Chg.

Market Sales table with columns for NYSE 4 p.m. volume, NYSE 4 p.m. close, NYSE 4 p.m. volume, NYSE 4 p.m. close, NYSE volume up, NYSE volume down, NYSE volume up, NYSE volume down, NYSE volume up, NYSE volume down.

NYSE Index table with columns for High, Low, Close, Chg.

Monday's NYSE Closing table with columns for Vol, High, Low, Last, Chg.

AMEX Diary table with columns for Close, Prev.

NASDAQ Index table with columns for Close, Chg, Week Ago, Year Ago.

AMEX Most Actives table with columns for Vol, High, Low, Last, Chg.

Dow Jones Bond Averages table with columns for Bonds, Utilities, Industrials.

NYSE Diary table with columns for Advance, Decline, Unchanged, Total Issues, New Highs, New Lows.

Odd-Lot Trading in N.Y. table with columns for Buy, Sell, % of Total.

Dow Jones Averages table with columns for Industrials, Transp., Utilities, Total Issues, New Highs, New Lows.

Standard & Poor's Index table with columns for Industrials, Transp., Utilities, Total Issues, New Highs, New Lows.

NASDAQ Diary table with columns for Advance, Decline, Unchanged, Total Issues, New Highs, New Lows.

AMEX Stock Index table with columns for High, Low, Close, Chg.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

12 Month High Low Stock Div. Yld. PE 52 High Low High Low Close Quot. Chg.

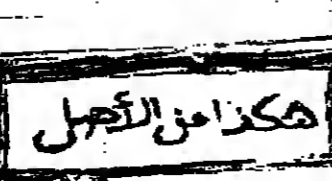
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12 Month High Low Stock Div. Yld. PE 52 High Low High Low Close Quot. Chg.



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ADVERTISING SECTION

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JEBEL ALI Free Zone

Dubai's Jebel Ali Free Zone is rapidly becoming a major international center for industrial and commercial investors as more and more companies from Europe, the Far East and the United States take advantage of the unique facilities it offers. With more than one billion potential customers within easy reach, Jebel Ali is now among the top three free zones in the world.



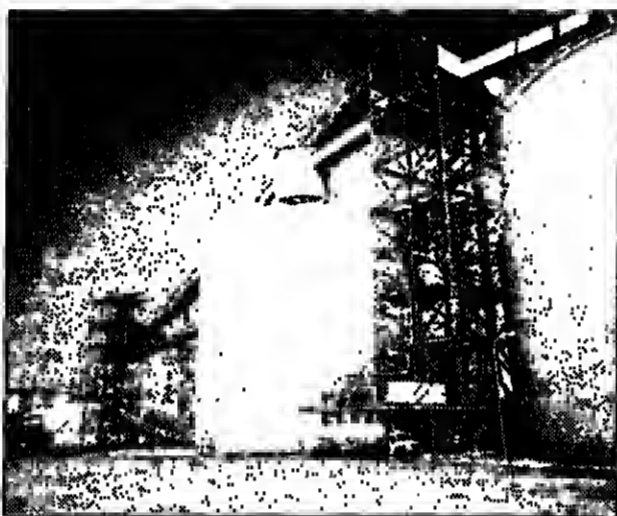
The Jebel Ali Port Control Tower

WITH more than 180 companies up and running, Jebel Ali was rated in a recent study among the top three free zones in the world. With a potential market of over one billion people on its doorstep, Jebel Ali's full potential has yet to be realized.

Manufacturers and distributors from Europe and the Far East, including internationally known names such as Arco, Black & Decker, British Petroleum, Cleveland Bridge, McDermott, Halliburton, Union Carbide and Shell, are well-established there. Now the Japanese are starting to arrive in force — Mitsubishi, Abe Pumpshaft, Mitsui and Toppan Moore. A Swiss group has recently announced its intention to build a \$15 million auto assembly plant, and a local group, Al Habtoor Motors, has revealed plans for a joint venture to manufacture Romanian-based vehicles. A French company which has moved its whole factory into the Free Zone has just started a tannery operation.

It was an accident of geography that placed Jebel Ali in such a strategic commercial position, with easy access to Africa, the Mediterranean, the Levant, the Indian subcontinent and the entire Middle East. But it was the port — one of the largest man-made harbors in the world, with its 67 deepwater berths and container handling station — that gave Jebel Ali its unique trading status. A further attraction for distribution companies is the proximity of Dubai's international airport, which makes the location ideal for the rapidly expanding sea-air cargo business.

At present, about 150 companies a month apply for



Dubai's alumina terminal at the Jebel Ali port.

further information about the Free Zone, and the Free Zone Authority is issuing about eight new licenses each month.

Mr. Sultan Ahmed Bin Sulayem, chairman of the Jebel Ali Free Zone Authority (JAFZA), comments: "After three years of hard work I believe we are over the hump in getting the message across to companies. That fact is evident in the way we receive inquiries. We find now that

companies are being more precise about their objectives and requirements. Compared to last year, we have had a 50 percent increase in processing documents."

This year Mr. Sulayem — considered by many to be one of Dubai's ablest young businessmen — and his colleagues from JAFZA have been on promotional tours to Japan, Singapore and Europe. Mr. Sulayem is a firm believer in the one-to-one approach as a way to win international recognition for JAFZA's facilities. This year's flag-waving exercise follows similar, earlier efforts which are already beginning to bear fruit.

Despite this success, Mr. Edward Butler, the marketing director, believes that there is still an educational gap to plug as far as Jebel Ali and Dubai are concerned. "Many people are still not sure where we are; when they do know, they think only of the current Gulf conflict. But we are now very optimistic about the future and the situation here is getting better and better. Although our expectations may sometimes be exaggerated, we always seem to make it."

JAFZA is especially keen to attract more Japanese companies. During his tour of Japan, Mr. Sulayem told businessmen that he wanted Jebel Ali to serve as "Japan's passport to the Middle East." He also reminded them that only five of Japan's 3,000 direct overseas investments have so far been made in the Middle East.

In the past 12 months there has been a visible change in the development of Jebel Ali. Having recovered from the

economic doldrums of the early 1980s, the Free Zone has regained its strength and is buzzing with activity. Not only are the existing manufacturing units turning out everything from potato chips to nails, but dozens of new sites and factory shell premises are under construction.

With the completion of the first mosque, restaurant and shops, the zone is also taking on the appearance of a real working community.

Response has been so great that the area has just been expanded from 45 to 100 square kilometers (17 to 39 square miles). About 30 new factory units are being built and two new labor accommodation blocks for 3,000 workers are under construction.

Yet all the main services and infrastructural works have long been in place. As Mr. James McFadden, of Jebel Ali Consultants, who spent five years working on the development of Jebel Ali, points out: "This place may sometimes look a bit like scrub desert, but this is definitely not the case. Everything is here — all the services — water, power and telephones."

Mr. McFadden, who works in association with Chawla Architects of Dubai, has watched Jebel Ali grow and grow. "I have seen increases of almost 200 percent in the last two years," he commented.

Mr. Edward Butler adds that it is very quick and easy for a company to come into the zone. The administrative work

Continued on Page 10

RELIABLE AND ABUNDANT POWER AT JEBEL ALI

Dubai Electricity Company decided way back in 1975 to locate its Central Power and Desalination Station at Jebel Ali in close proximity to the Jebel Ali Port. This Central Power and Desalination Station can produce, at present, 650 MW of Electricity and 32 million Gallons of water daily. Construction work on a new 227 MW, 24 million gallon station next to the existing station started in February 1986.

The Company also established a bulk distribution point at Jebel Ali when it

commissioned its 132kV Substation in 1984. Further it has a network of 33kV Substations around Jebel Ali. Thus Dubai Electricity Company can ensure immediate power availability to all Industries and Facilities that will be established at the Free Zone at Jebel Ali.

Electricity is never a problem if you are at Jebel Ali Free Zone.



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- TOYO MENKA
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- SHELL
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- YORK INTERNATIONAL

What do these international companies know about Dubai that you don't?

They know that Dubai's Jebel Ali Free Zone has introduced exciting trade freedoms and benefits, enabling companies to set up trading and industrial bases easier in the Middle East.

- Just look at these benefits—unique to Jebel Ali.
- 100% foreign ownership.
- Unlimited transfer of profit and capital.
- No corporate taxes for a minimum of 15 years.

- No personal income taxes.
- No import duties/export taxes.
- Unlimited cheap energy.

They also know that with superb facilities including an extensive infrastructure, state-of-the-art communications, accommodation, hotels, hospitals, security and every modern amenity, Jebel Ali is a unique opportunity for Middle and Far Eastern markets.

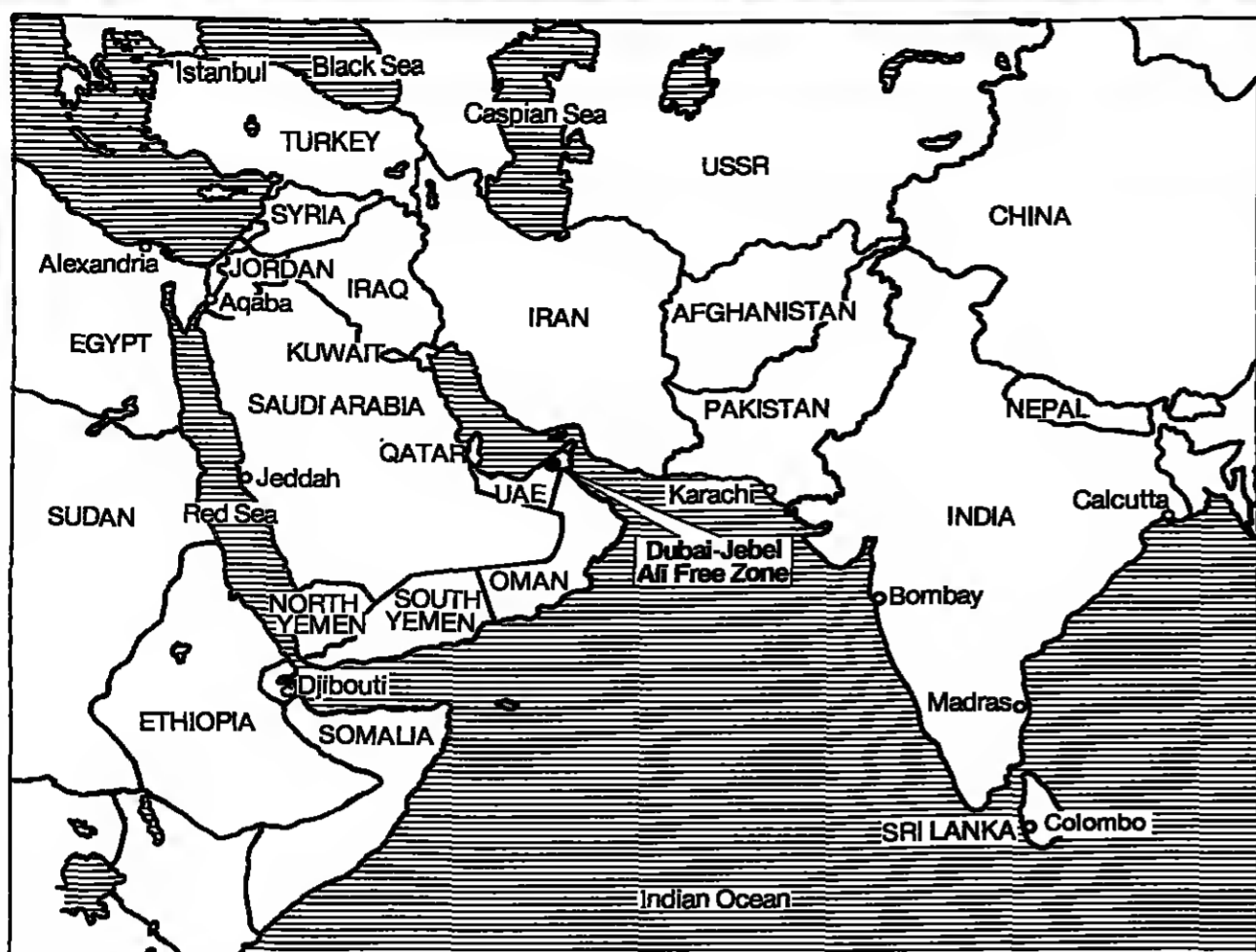


For more information contact
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Jebel Ali Free Zone Authority

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THE PRIDE OF DUBAI





Continued from Page 9

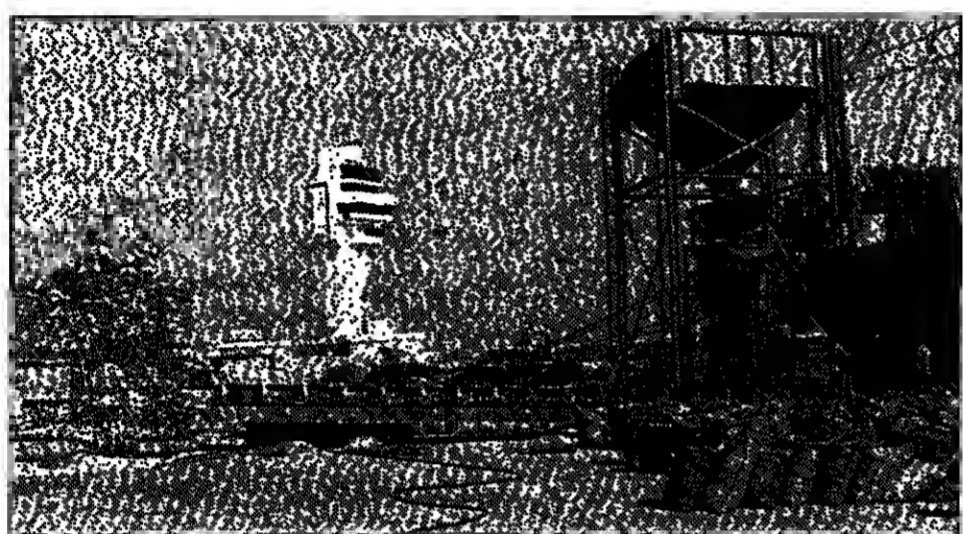
Potential market focus for Jebel Ali Free Zone.

is kept to a minimum. One of the biggest bogies — sponsorship for a foreign company and its workers — is removed because JAFZA acts as the overall block sponsor and takes care of work permits and other regulations on the company's behalf.

This absence of red tape, JAFZA's flexibility and a determined willingness to help at all costs, has been the hallmark of Jebel Ali's success to date.

Mr. Rupac Ved, who has a major wire factory in the zone, reinforces the point: "You have easy accessibility to all officials and there is good engineering advice. They are very commercial — and very cooperative."

A similar comment came from MEOS (Middle East Oilfield Supplies), a company which offers a critical service to the oil industry: "The land is cheap here. We get extremely good service — cranes, trucks and anything else we might require from JAFZA." The wide spread of companies operating in the zone is reflected in an analysis of 124 companies there last December. While 50 of these were involved in manufacturing activity, 30 came from the transport, storage and communications sector. Ten were in the wholesale, retail, restaur-



The International Bagging Corporation (IBC) operation in Jebel Ali port.

rants or hotel trade; nine in financing, insurance, real estate or business services; and three in construction. The remainder were involved in community, social and personal services.

One of the largest recently completed plants is BP's Dh 37 million (\$10 million) lube plant. The new blending plant has a capacity of 30,000 metric tons and is already supplying aviation lubricants to Emirates airline. Its products comply with strict international controls and standards.

Other new projects include the \$18.5 million storage tanks for Star Energy, which will hold white petroleum products prior to

distribution, and a \$4 million plant for coating steel pipes with protective plastic.

A huge grain silo with a capacity of 120,000 metric tons — one of the largest in the region — is another major independent construction project that has just been completed.

Apart from the two major established industries — DUBAI, the aluminum smelter, which last year produced its one millionth ton of aluminum, and DUGAS, the gas processing plant which provides the basic power source for industry — the biggest project about to get underway is the new chemical works

Al's location and the port facility all contributed to the go-ahead decision on a joint venture project for a \$60 million phosphoric acid plant. The companies involved — Gujarat Narmada Valley Fertiliser Company, of India, and Mozak International, of Great Britain — plan to import one million metric tons of phosphate rock a year from Jordan. This will be converted into phosphoric acid which will be re-exported to India.

JAFZA views the \$60 million project as a classic example of the type of operation best suited to take advantage of the facilities which it can offer investors.

Within the next five years, investment in the Free Zone is expected to double to about \$1 billion and Mr. Sulayem expects the total workforce to reach 12,000.

But already, as the first decade of Jebel Ali's existence nears its end, the Free Zone is well on its way to helping Dubai become a major international investment center.

Spreading the Message

MR. Sultan Ahmed Bin Sulayem, chairman of the Jebel Ali Free Zone Authority, is one of Dubai's liveliest and most able young technocrats.

During the last twelve months he and his senior colleagues on the authority's board have traveled thousands of miles around the world talking to businessmen and potential investors about the possibilities of the Free Zone.

Here he answers some questions about his hopes and achievements:

Since 1985, following the change in status and the creation of the Jebel Ali Free Zone Authority, you and your colleagues have put a lot of hard work into marketing the Free Zone. Do you think you are over the "hump"?

After three years of hard work I believe we have succeeded in getting the message that we are open for business across to companies. The fact is evident in the way in which we now receive enquiries; the companies are more precise about their objectives. We now process 50 percent more documents than we did this time last year.

How many companies are already situated in the Free Zone, and how many license applications are currently being processed?

There are 180 companies in JAFZA. About eight licenses are being issued every month. We receive about 150 inquiries from all over the world every month.

Do you have figures for the levels of investment by country?

Yes. The U.S. — \$300 million; Gulf Cooperation



JAFZA Chairman Sultan bin Sulayem.

Countries — \$200 million; Europe — \$100 million; and another \$100 million from elsewhere.

What kind of reactions did you get on your recent tour of Europe and the Far East?

The incentives which we offer are very attractive to businessmen, but many of them are unaware of all the activities which are permitted in JAFZA. Some of them do know about Jebel Ali through our advertising, but I believe we need to do more about our image. People think we are in the middle of a war zone and only realize how safe a place it is in reality when they actually visit Dubai.

You recently had a comparative survey done of free zones. How was Jebel Ali rated and what are the main types of industry you would like to attract?

Jebel Ali was placed among the three best zones. We would like to see the following categories of projects coming to Jebel Ali:

- Fish canning (tuna)
- Biscuits, bread and confectionery
- Pharmaceutical plant (pharmaceutical, chemical and veterinary products)
- Office machinery (personal computer assembly)
- Battery separators

• Electrical assembly (electronic engine controls)

• Medical devices and diagnostic equipment (disposable blood processing equipment)

• Locks (for building industry)

• Tennis and squash rackets, and accessories

• Distribution center for sports shoes

• Foundry (modular iron castings)

• Metal components (supermarket display shelves)

• Integrated circuits

• Auto safety belts

• Batteries and accessories

• Alternators, distributors and starters

• Distribution center for audio equipment

• Fine chemicals plant (speciality chemicals, aluminium alkyls, ziegler alcohols and defins)

• Polypropylene film plant.

Can you outline the main attractions and advantages for companies wanting to come to Jebel Ali?

The attractions and advantages are numerous. But in particular:

- 100 percent foreign ownership
- No recruitment problems

- 100 percent repatriation of capitals and profits
- No currency restrictions
- No corporate taxes for 15 years
- No personal income taxes
- A market of 1 billion people
- Excellent support services
- Efficient, modern communications
- Attractive working environment
- Cheap energy

Another good thing about the Free Zone is that we are flexible. If we feel other incentives are necessary, then we are always ready to study them.

Dubai is now regarded as a premier distribution center, especially for sea-air cargo. What are the principal areas which could be served by a company manufacturing or distributing goods from Jebel Ali?

The GCC countries, Iran, India, Pakistan, the Middle East, Africa and Europe.

Would you comment on any recent developments and future plans?

We are very satisfied with our progress so far. We have recently been given an additional area for the Free Zone, which will increase its size from 45 to 100 sq.km. We also have about 30 new factories under construction to lease to investors.

To keep up with demand we are developing another 70 acres of industrial land and also preparing an expanded industrial park which will have two zones complete with all infrastructure.

In addition we are building two new labor accommodation sites for 3,000 workers and an office block which will accommodate 160 companies.

Banks Begin Moving into Free Zone

Major developments are expected following an agreement in principle that will allow some forms of offshore banking and company formation within the Free Zone.

Two banks have already opted to move there and serve the needs of both the local business and resident community.

First off the mark was the Abu Dhabi-based United Arab Bank; its new offices are just inside the main east gate. Earlier this month the British Bank of the Middle East also announced its plans to open a Free Zone branch.

Mr David Livesey, chief executive officer of BBME, commented, "The branch

will be set up specifically to meet the financial needs of the fast-expanding community in Jebel Ali. Our aim is to bring the expertise of the bank to the door of the personal and business community in the area."

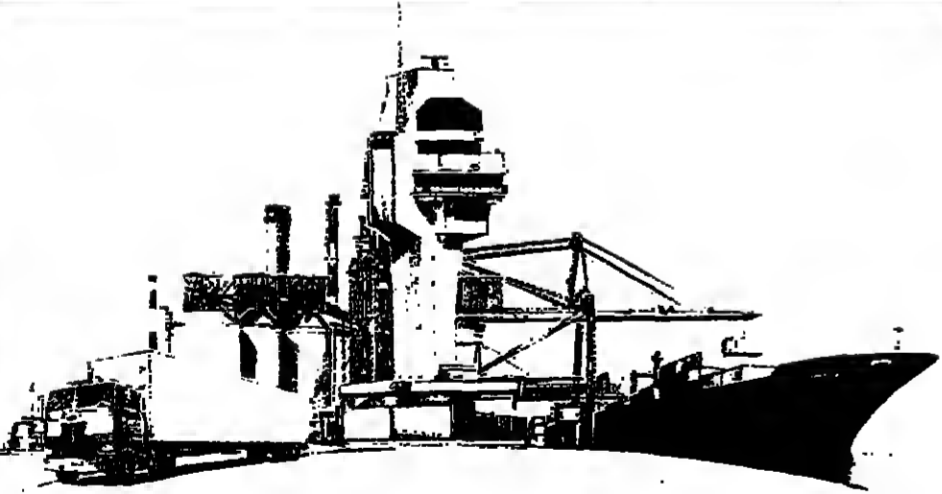
BBME is part of the Hongkong Bank Group, which has 1,300 offices in more than 50 countries, and has been associated with Je-

bel Ali since its inception in the 1970s. With several major corporate customers to its credit already, BBME sees the new branch as a natural extension of its role in the development of services.

The United Arab Bank, which has been operating in the UAE since 1975, was established in cooperation with Société Générale and

currently has six branches — in Abu Dhabi, Dubai, Sharjah, Al Ain and Ras Al Khaimah. Originally founded by a group of local businessmen in Sharjah, it moved its head office to Abu Dhabi in 1981. The bank attaches considerable significance to its Jebel Ali branch, which will offer a full range of banking services to the community.

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Building up your business, is our business.

The British Bank of the Middle East



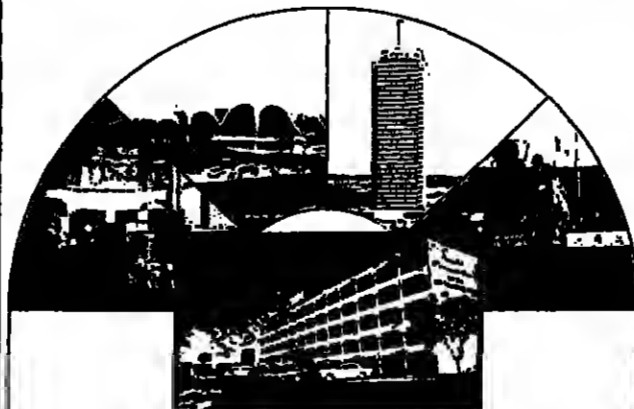
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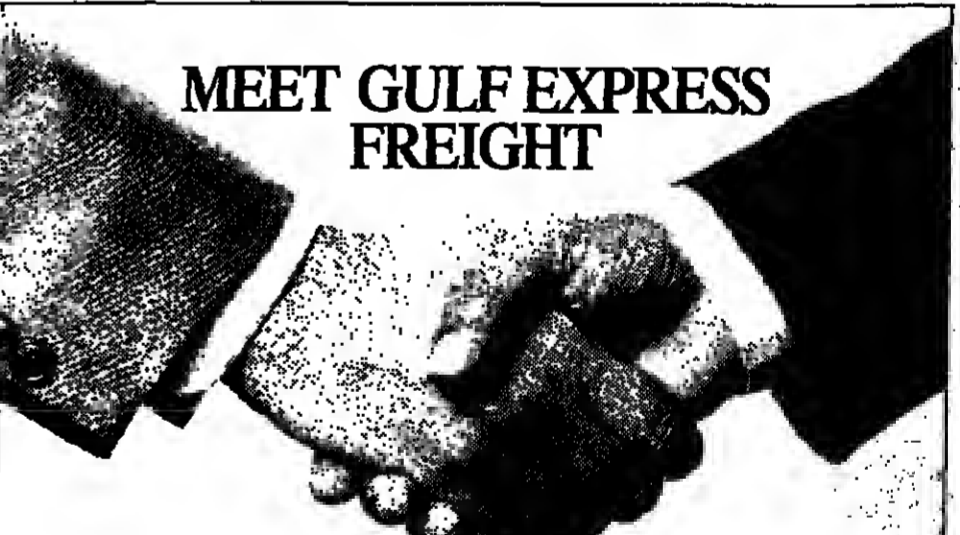
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New laws and regulations including a complete package of incentives continue to attract international companies who use the Free Zone as their manufacturing, storage and distribution base in the Middle East.

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We're geared to handle all types of cargo — general, dry, reefers, breakbulk (containerised or non containerised).

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goods by air, sea or land, wherever and whenever you want. Smoothly and efficiently.

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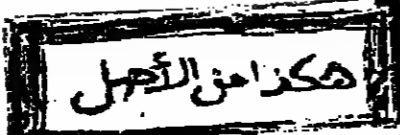
Quite simply, if you intend to use the Free Zone as your base in the Middle East, we can look after your interests without you being here. Without you getting worried and anxious there.



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For more information, call Ivan Bilal, General Manager on Dubai 457225 or Tony Condon, Business Development Manager on Jebel Ali: (084) 50948

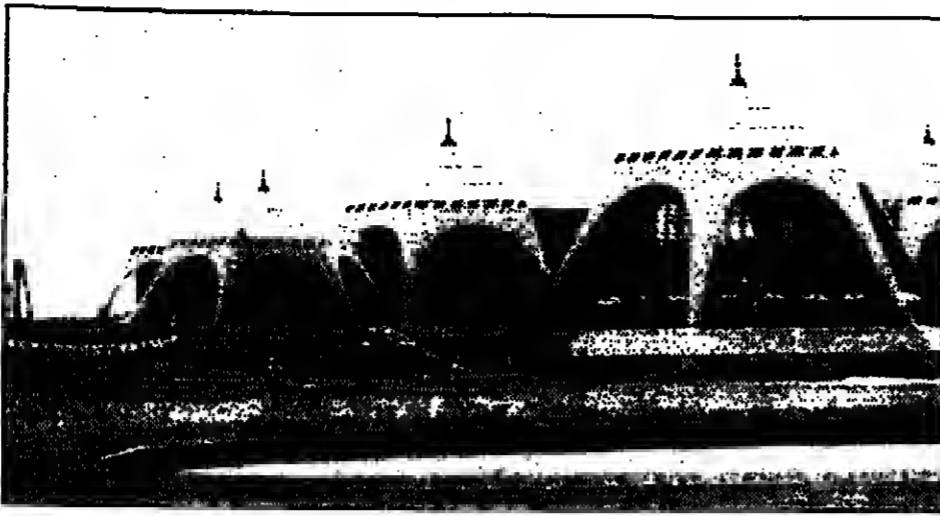


ADVERTISING SECTION

ADVERTISING SECTION

Leisure Attractions: Par for the Course

WITHIN a short drive of the Jebel Ali Free Zone lies one of the Middle East's greatest leisure attractions — an 18-hole championship green golf course. Officially opened last spring by President Mohammed Zia ul-Haq of Pakistan, it is claimed to be the only one of its kind between Rome and Singapore.



The Bedouin styled clubhouse, Emirates Golf Club, Dubai.

The golf course's arabesque clubhouse, built in traditional bedouin style, is an extraordinary sight in the windblown desert. With its lush greens, lakes and palm trees, this oasis of a course was sculptured by the American expert, Karl Litren, who believes it to be one of his masterpieces.

The 6,618 yard par-72 course is designed around four lakes in a classic style. The lakes, as well as acting as "natural" hazards, also add variety to the course.

The construction of the course, which was the brainchild of Sheikh Mo-

ammed bin Rashid al-Maktoum, the UAE Minister of Defense, was supervised by a British engineer, Stephen Trutch, and could not have been built without the essential water supply from the desalination plants operated by the Dubai Electric Company in the Free Zone. The clubhouse has a five-star restaurant, squash and tennis courts, saunas, a jacuzzi and a floodlit driving range.

A crown green bowling green is also being built. "Nothing has been spared in the design of the course," says Mr. Trutch. The sting in its tail is the 555-yard par-five 18th hole — a real desert challenge.

Catering is provided by the Jebel Ali Hotel, on the western side of the Free Zone, which also has its own sports facilities, including a specially built marina.

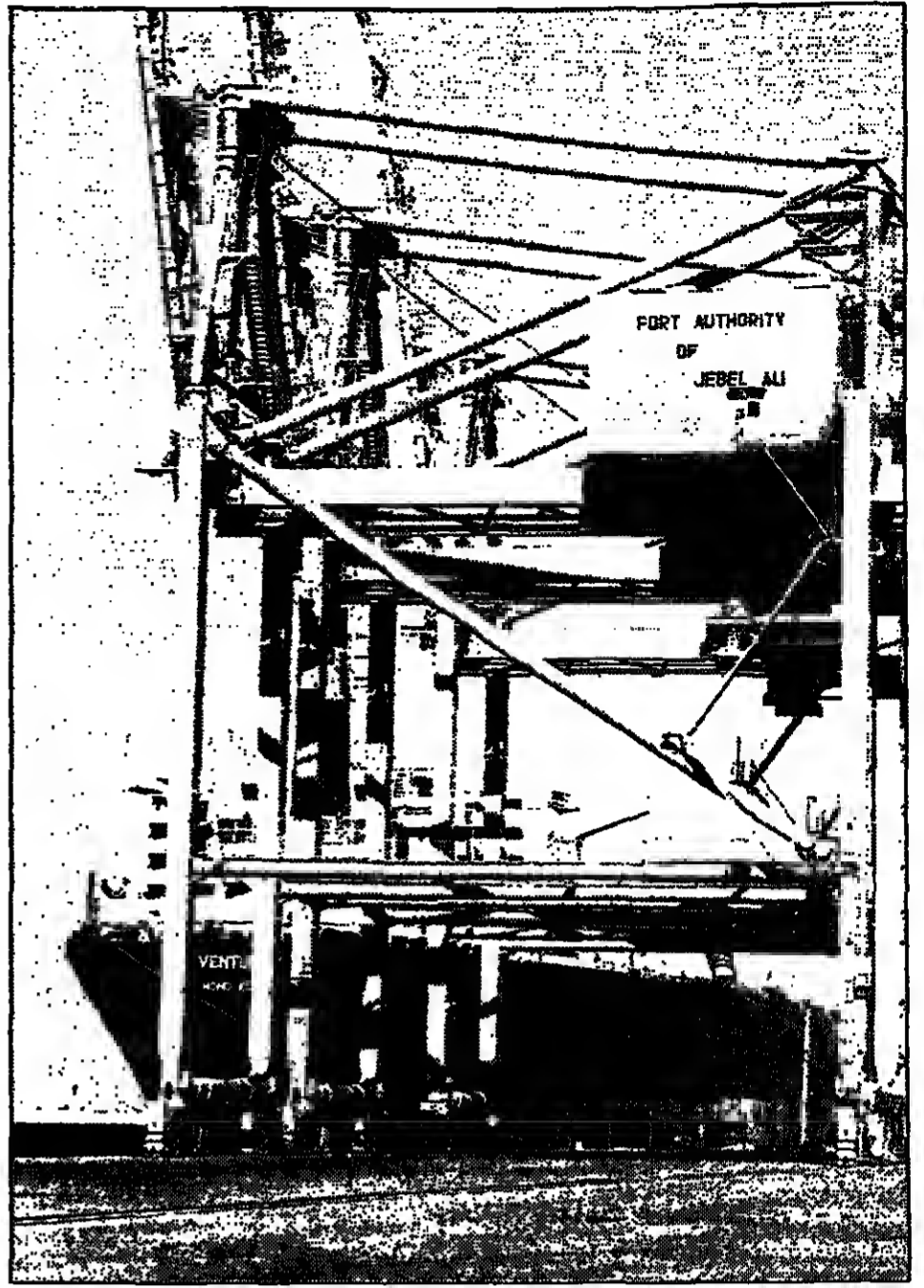
The hotel is situated on the edge of a small, palm-fringed beach. Peacocks adorn the gardens, which offer a shady haven from the hot sun and the turmoil of the nearby Free Zone. Off-shore reefs provide some of the finest subaqua diving along the coast.

The Dubai Metropolitan Hotel is especially convenient for access to the port and to the Free Zone authority offices on its eastern

side (the main entry and exit for visitors). Equidistant from the Dubai International Trade Center, Hilton Hotel complex and exhibition halls and Jebel Ali itself, the Metropolitan is strategically located to reduce the hot and sometimes hectic drive between these two points.

As a further incentive, the Metropolitan also offers a "room on wheels" deal. For certain lengths of stay, a rental car is provided free with the room. The hotel is just starting a \$3 million refurbishment scheme which will include a new \$2.5 million conference center and ballroom. Its 200 rooms are also to be upgraded and improved.

The hotel, which is internationally known for staging specialty attractions ranging from auto shows to horse jumping and dressage, also has a new Chinese restaurant which has become one of the most popular venues in Dubai.



A gantry crane at the Jebel Ali Port container depot.

Infrastructure Allows For Swift Starts

RECYCLING scrap iron and steel, making potato chips, processing leather and skins, producing lubricants for the aviation industry and weaving towels and other textiles for North America are just a handful of the 150 industries now at work in the Free Zone.

The huge grain elevator, one of the largest in the Middle East, and the curious domed concrete storage tanks for Star Energy have changed the skyline. On the ground, laborers toil in the early morning sun putting in the foundations for new "shell" factories and office blocks. Jebel Ali has become a living site, growing and expanding with every blow of the steam hammer pounding in a new concrete pile.

Mr. James McFadden, of Jebel Ali Consultants, has been in Dubai since 1976 and saw the start of the project. He joined the Jebel Ali Port Authority in 1982 as an engineering supervisor. Toward the end of last year, having watched the Free Zone grow and grow, he decided to strike out on his own and now has an independent consultancy office in the Free Zone.

He sees his role as providing "packaged" deals for incoming industrial and commercial clients. He will design, supervise and generally oversee almost any kind of new project.

Getting proposals approved is considerably less irksome than in most other

parts of the region. Nevertheless, supervision for the initial phase is, in Mr. McFadden's eyes, still essential to ensure the smooth inauguration of the project.

As he points out, one of the main advantages of the Free Zone is that all the basic services — water, power and communication links — have already been put in place.

"They are here, under the ground, ready and waiting," says Mr. McFadden.

The availability of these services, high degree of cooperation from the administration and lack of "red tape" are among Jebel Ali's greatest assets.

"Easy accessibility to all the administrative offices, the engineering advice and the cooperation here cannot be matched by anywhere else that I can think of," agrees one of Dubai's leading entrepreneurs, Mr. Rupak Ved. He has two major manufacturing operations in the Free Zone — a garment factory and a wire production plant.

"One of the most important things for us is an uninterrupted source of power supply," he adds.

Mr. Ved has been highly impressed by the Free Zone administration and was able to set up both his manufacturing plants in record time — two and a half months from signing the leases to start-up.

"In the case of the garment factory we completed the feasibility study on September 15 — and were in production by December 15," he said.

This kind of swift decision making and complete

absence of artificial bureaucratic delays has earned Jebel Ali an enviable reputation in the free zone world. It is really beginning to pay off now, as widely different manufacturing and other industrial processing operations begin to look at the facilities which Jebel Ali has to offer.

This year, the French operation, Tannery and Skins International Ltd., decided to move its whole primary tanning and wool treatment operation from France to be nearer its raw material sources.

In what is perhaps the first major transfer of new technology to Jebel Ali, the company has launched into a full-scale preliminary tanning operation for skins and hides provided from regional abattoirs.

La Mole Industries, of Mazanet, France, used to import skins directly from the Arabian peninsula for processing at its French plant. But because of transportation difficulties and poor curing of the skins, many arrived in a damaged condition. The company decided instead to bring the plant to the Middle East where skins could be trucked to the processing plant at Jebel Ali. It had special technically advanced machinery designed for the plant — the only one of its kind in the world — which came into production just before the summer.

The \$3.5 million plant will be producing up to 10,000 skins a day at peak production.

There are now 26 textile and garment operations running within the zone —

all attracted by the availability of cheap power, economical rents and practical accommodations.

Jebel Ali Textile Mill, one of the first to move into the zone (the company is now registered in the Isle of Man), has just undergone a complete modernization of its plant after just two years.

"We wanted to bring in some of the latest machinery in order to improve both quality and the rate of our production," says Imran Ahmed Khan, managing director of the company which employs nearly 300 women workers, mostly from Sri Lanka. "We will soon be manufacturing about 200,000 garments a month," says Mr. Khan.

A typical capital-intensive, low-labor operation in the food processing sector is Hunter Foods, whose potato chips are exported throughout the Middle East and sometimes further afield. It was one of the first food companies to open in the zone in 1986 and is registered in the Channel Islands.

What brought them to Jebel Ali?

"One of the principal advantages is that we can have 100 percent foreign ownership. We also had the four M's — materials, money, manpower and markets," explains Mr. Baharat Narayan, another of Dubai's go-ahead Indian businessmen.

Hunter imports the starch and potato flour mainly from Europe and Jordan, processes them at the Jebel Ali plant and exports the finished packaged chips to the GCC states. Mr. Narayan is now looking to export more of his chips to Europe — because it is cheaper to air freight them from Dubai Airport than to send them by sea.

This underlines one of the key advantages of Jebel Ali — its excellent facilities for communications whether by sea, land or air. All three are available right on the doorstep — which means not only a rapid turnaround from factory to distribution, but competitive freight rates as well.

Plans to Boost Power Supplies Underway

THE commissioning of Dubai Electric Company's Jebel Ali power station extension will give a much needed boost to electricity generated power for Dubai and industrial users in Jebel Ali.

One quarter of the total installed electricity generating capacity for the UAE (3,845.5 megawatts) is produced by the Dubai Electric Company (DEC). The proposed extension will add a further 250 megawatts. Jebel Ali Power Station already provides about 90 percent of DEC's total output of power — and some 40 percent of Dubai's desalinated water.

DEC first started producing electricity from steam driven turbine units at Station D, Jebel Ali, in 1979. Phase one of the station was completed in 1980 and consisted of five steam turbine units with a total output of 340 megawatts. The five flash desalination plants working in conjunction with the turbines produced 14 million gallons of water daily.

Two gas turbine generators were added later. In 1981 a contract was awarded to supply station D with three more 75 megawatt steam turbine units and three desalination units. Completed in 1984, this project brought the total installed power production capacity to 650 megawatts.

Two years ago the first natural gas from Sharjah began to flow by pipeline to Jebel Ali — which requires about 100 million cubic feet of gas daily. Additional facilities at Jebel Ali make it possible for the power station to use both "dry" and "wet" natural gas, which provide 70 percent of all the station's fuel requirements.

Upward Trend in Sea-Air Cargo Continues

THE growing demand for sea-air freight services has played a significant part in Jebel Ali's recent expansion. With many companies using the free zone as a distribution center, increasing quantities of goods are being shipped in from the Indian subcontinent or Far Eastern manufacturers to Jebel Ali port and then forwarded to destinations in Europe, North America and Africa by air.

During the first quarter of this year, sea-air cargo rose 34 percent compared to the same period in 1987. Last year, Dubai's International Airport handled a massive 116,000 metric tons of air cargo — 17 percent more than the previous

airport — and Emirates airline's European links — will help attract further business. To cope with the expected demand, a new "cargo village" is to be built at the airport.

One of the most active agents handling air-sea cargo is Gulf Express, which has a staff of around 65. It is the freight-forwarding arm of the long-established Gulf Agency which employs 300 people in Dubai.

Gulf Express' office is located within the Free Zone, where it can handle all documentation for clearance, whether for import, export, or transshipment. In addition it will prepare cargo for air palletization so that it can be hauled to the airport with minimum delay.

Because of increasing demand, DEC ordered a new gas turbine and desalination plant in 1986. This consists of three more gas turbines and four desalination plants, which from the new Station E. When fully operational, power production will be increased by another 227 megawatts, which should be sufficient to meet industrial requirements for the foreseeable future.

This advertising section was written by Lou Voysey

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INTERNATIONAL STOCK MARKETS

Booming Thai Economy Features Bullish Bourse

By VITHOON AMORN

BANGKOK — Thailand's booming economy features a bullish bourse that is widely expected to surpass its all-time high of last October within months if not weeks.

The official Securities Exchange of Thailand Index has climbed nearly 90 percent above its post-collapse low in December, rising to 461.86 on June 15. It points below its record October high. It closed Monday at 457.04.

The boom continues to draw foreign investors as the stock market continues to surge.

"The market has moved up and is looking towards the 500 mark," said Scott Klimo, an analyst with Crosby Research Ltd., a Hong Kong-based investment consultant.

"I would not be surprised to see the index pass its old high in the medium term."

The export-led Thai economy is projected to expand a real 8 to 9 percent this year, its highest growth in a decade, after a revised 7.1 percent growth last year.

Growing offshore interest in the bourse is reflected in the fact that at least four new closed-end mutual funds have been set up so far this year. The initial combined assets of those funds for investing in Thai stocks are over \$300 million.

Central bank officials are also expected to allow Japan's Nomura Securities Co. to set up a \$155 million, 25-year fund for the market this year.

Mr. Klimo said the seven foreign funds already investing in Thailand can buy even more securities, since as yet they have invested less than half their combined \$435 million capital in local stocks.

"Foreign funds are ready to step in to provide strong underpinning if the market starts to show any weakness," Mr. Klimo said. Many foreign fund managers viewed Thai stocks as attractive buys because of their fundamental soundness and a relatively low overall market price-to-earnings ratio of 14.8. Most favored construction and export-related industrial issues, which have posted sharply higher earnings this year.

Siam Cement Co., a huge diversified construction materials and trading group, has paced the growth of the economy. The construction sector rebounded from two years of negative growth to register 7.3 percent expansion last year.

National cement sales rose 25 percent in the first quarter of this year, and construction permits issued by the government rose 76.2 percent.

THE BIGGEST Thai cement producer, which tops local blue chips, posted net first-quarter earnings of 622 million baht (\$24.4 million), or \$1.79 baht a share, on sales of 4.12 billion baht, up from income of 273 million baht, or 22.78 baht a share, on sales of 3.22 billion baht a year ago.

Siam Cement's share price soared to 3,001 baht last month from a 1,005 baht low in early December. It closed on Monday at 2,921 baht. Despite its recent sharp gains, few brokers said they saw the company as overpriced. Its current P/E of 11 is lower than the overall market, and 1988 earnings per share are projected to rise to about 250 baht from 102.73 last year, analysts said.

Most analysts also recommend defensive bank issues, which have underperformed the rest of the market this year despite their good earnings prospects.

"Banks are pretty boring, but at some point people will start to notice that they're running at single-digit P/E's and why don't they buy them," said one foreign stock adviser.

Bangkok Bank Ltd., Thailand's biggest commercial bank, has a P/E of nine. The bank's first-quarter net profit rose to 416.4 million baht from 284.3 million a year ago, and it closed at 339 baht a share on Monday, up from its low of 261 six months ago.

Rate Rise Likely in Germany

Bundesbank Seen Supporting Mark

By Ferdinand Protzman

FRANKFURT — The West German Bundesbank, in a bid to rein in the dollar and ease inflationary pressures brought by a weaker Deutsche mark, is likely to raise West German interest rates this week, according to many analysts.

It would be the second interest rate increase by the West German central bank in two weeks.

Financial market sources in Frankfurt said the Bundesbank is expected to steer money market interest rates higher Tuesday by calling for tenders on securities-repurchase agreements at a fixed 4 percent rate, up from 3.75 percent last week.

Then on Thursday, the Bundesbank's central bank council, which sets the nation's monetary policy, is expected to lift its Lombard interest rate to 5 percent from 4.5 percent at its regularly scheduled meeting.

The Lombard rate is the fee charged on banks' very short-term borrowings from the central bank with securities as collateral.

The moves would come against a backdrop of growing bullishness on the dollar that has countered repeated and occasionally concerned open-market dollar sales recently by the Bundesbank and central banks of other leading industrial nations, intended to slow the rise of the U.S. currency.

On Monday, the dollar rose to 1.8465 DM at the close in London, from Friday's 1.8387. It eased to 133.05 yen from 133.15.

Higher interest rates in West Germany would act to weaken the dollar by making dollar-denominated assets relatively less attractive to international investors than those denominated in marks.

Contrary to its standard procedure, the Bundesbank confirmed that it led concerted intervention by European central banks Monday. The U.S. Federal Reserve System also sold dollars for marks in U.S. dealings Monday, foreign exchange dealers in New York said.

"With money market interest rates rising and the dollar continuing to strengthen," said the chief dealer of a U.S. bank in Frankfurt, "I think it is clear the Bundesbank will raise the repurchase and Lombard rates."

He added: "The market is not

U.S. Firms Drop in Rank Among Eurobond Underwriters

American investment banks no longer make up a majority of the top 10 underwriters of Eurobonds. American firms had dominated the London-based Eurobond market, the hub of the international capital market, for most of the 1980's. Companies in bold are American or American-affiliated.

Table with 4 columns: Firm, Amount, in billions*, Firm, Amount, in billions*. Lists firms like Nomura Securities, Credit Suisse First Boston, Deutsche Bank, Daiwa Securities, Nikko Securities, Yamaichi Securities, S.G. Warburg, Union Bank of Switzerland, J.P. Morgan Securities, Merrill Lynch Capital Markets, Bankers Trust International, Banque Paribas, Goldman Sachs International, Commerzbank, Swiss Bank Corp. Investment Banking, Morgan Stanley International, Industrial Bank of Japan, Salomon Brothers, Dresdner Bank, Hambros Bank.

U.S. Banks Pulling Back in London

Eschewing Securities, They Focus on Fee-Paying Areas

By Steve Lohr

LONDON — A year ago, the big London offices of Wall Street's leading investment banks seemed dedicated to slugging it out in the body competitive markets for international stocks and bonds.

Today, the picture is very different. Major American investment banks are scaling back their international ambitions and rethinking their globalization plans.

They are doing so because trading volumes have plummeted since the October stock market collapse and because foreign investors are skittish about holding large chunks of dollar-denominated securities, even though the American currency has recently rebounded.

Fighting single-mindedly for market share in the crowded international capital markets, especially against the aggressive Japanese firms, no longer seems a profitable formula for most American securities houses.

Many American firms had aggressively expanded in London, as well as in Tokyo, because of the generally accepted notion that the emerging world of international securities trading would touch these bases — Tokyo, London and New York — on a 24-hour odyssey.

Now, the American firms are drifting toward fee-earning corporate finance activities, especially advising clients on takeovers.

Two market developments now under way: So far this year, an American investment bank, Goldman, Sachs & Co., is the leading financial adviser on British takeovers, a field view thought to be the hallmark of London's merchant banks.

Yet Goldman, Sachs and other top American investment banks

Dollar Ignores Intervention but Closes off High

NEW YORK — The dollar was mostly higher on Monday, shrugging off coordinated selling by the U.S. and European central banks, but it closed below levels set earlier in London.

The buoyant U.S. economy and the prospect of higher U.S. interest rates to cool any risk of inflation sent money pouring into dollar assets, dealers said.

They said the intervention, by the U.S. Federal Reserve System, the Bundesbank and other European central banks, caused only a temporary downturn in the currency's early advance.

"The dollar took a dip at midday but it was a short-lived move. I don't think it had a major impact," said Kathy Jones, a currency analyst at Prudential-Bache Securities Inc. in Chicago.

However, liquidation of long dollar positions in slow trading pulled the U.S. currency down towards the close, dealers said.

The dollar rose to 1.8420 Deutsche marks at the close in New York, from Friday's 1.8415. But it was unchanged against the Swiss franc at 1.5310 after trading as high as 1.5370, and fell to 133.08 yen from Friday's 133.25.

The dollar gained against the pound, which fell to \$1.6915 from \$1.6995, and the U.S. unit rose to 6.1975 from 6.1935.

Traders said much of the market activity, described as choppy, was dominated by cross-buying of the mark and yen, a move made important by the release of key economic indicators such as Friday's release of U.S. trade figures for May.

"People are buying dollars against the mark and selling dollars against the yen," said a trader at Harris Trust & Savings Bank. "When people are confused and don't know what to do, they always play the crosses."

In London earlier, the dollar surged. "The intervention didn't mean anything," said Bob Bauer, senior dealer at Commerzbank AG. "The dollar is still basically on an upward trend."

The dollar jumped to 1.8465 Deutsche marks at the close in London, from Friday's 1.8387 DM. It barely reacted to intervention at two stages by the U.S. Federal Reserve System, even though those sales suggested the United States shares European concerns about a rising dollar.

Against the Swiss franc, the dol-

lar surged to 1.5350 from 1.5295 on Friday and closed at 6.2115 French francs against 6.1835.

The pound fell to \$1.6890 from \$1.7010, but it firmed in a 3.128 DM from Friday's 3.118.

However, the dollar eased to 133.05 yen from Friday's 133.15.

In spite of the central bank intervention, said a London trader with a major U.S. bank, "I wouldn't be at all surprised to see 1.83 when we come in tomorrow."

Dealers said the Fed was selling \$10 million in Deutsche marks and, as was the case Friday, used a combination of European and U.S. banks. They described its action as highly visible but not aggressive, which also was the balance of opinion Friday.

"The central banks want to slow

See DOLLAR, Page 17

OPEC Panel On Pricing to Meet Shortly

NEW YORK — The five-member pricing committee of the Organization of Petroleum Exporting Countries is to meet after the group's secretary-general visits the United Arab Emirates, the OPEC news agency said Monday.

In a dispatch from Vienna, the agency said Secretary-General Subroto of Indonesia "will soon fly to the United Arab Emirates to deliver a message" to President Sheikh Zayed bin Sultan al-Nahyan concerning the oil market.

Under an accord adopted last December 12 of the cartel's 13 members agreed to limit their total output to 15.06 million barrels a day.

The emirates said last month they would raise output to 1.5 million barrels a day, far exceeding its allotment of 948,000 barrels a day.

In New York, crude oil prices tumbled 68 cents a barrel Monday to \$14.78 for West Texas Intermediate, the lowest close since late 1986, hurt by selling that traders blamed on too much supply and renewed skepticism about OPEC's ability to restrain production. The Associated Press reported.

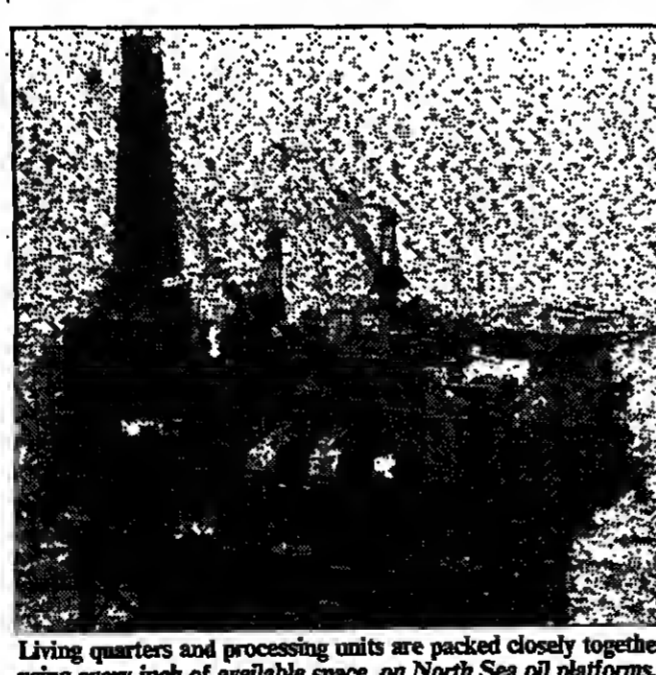
Currency Rates

Table with columns: Country, Rate, Date. Lists rates for Amsterdam, Brussels, Frankfurt, London, Milan, New York, Paris, Zurich, 1 ECU, 1 SDR.

Other Dollar Values: Argentina, Austria, Belgium, Brazil, Canada, Chile, Denmark, Hong Kong, India, Israel, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, United Kingdom, West Germany, Yugoslavia.

Forward Rates: Currency, 30-day, 60-day, 90-day, 120-day, 150-day, 180-day, 210-day, 240-day, 300-day, 360-day.

Interest Rates: Eurocurrency Deposits, 1 month, 3 months, 6 months, 1 year. Key Money Rates, 1 month, 3 months, 6 months, 1 year. Asian Dollar Deposits, 1 month, 3 months, 6 months, 1 year. U.S. Money Market Funds, 1 month, 3 months, 6 months, 1 year. Gold, 1000 oz, 100 oz, 10 oz.



Living quarters and processing units are packed closely together, using every inch of available space, on North Sea oil platforms.

Rig Disaster Forces Studies of Platform Design

By Steven Greenhouse

ABERDEEN, Scotland — Government and industry officials say a likely result of last week's disaster on the Piper Alpha oil platform in the North Sea, in which 166 workers are presumed dead, is that there will be major changes in safety features in future oil rigs.

The most likely change stemming from Wednesday night's explosion is that workers' living quarters will be moved as far as possible from a platform's oil and gas processing units to protect them from leaks or explosions.

Many industry experts have proposed placing the living quarters at the opposite end of the platform from the processing units, and, perhaps, even placing the quarters on a "hotel" platform (about 100 yards) removed from the rig. Automated, unmanned platforms also have been proposed.

Setting up such floating hotels or unmanned rigs would be costly and would be a major change in the way such leading companies as Occidental Petroleum Corp., Texaco Inc., Shell Oil Co. and British Petroleum Co.

do business not only in the North Sea but at all offshore operations.

Mr. Hammer, the chairman of Occidental, the operator and principal owner of the \$900 million Piper Alpha, said last week it appeared that major changes in platform design were needed. The other owners are Texaco, Union Texas Petroleum Holdings Inc. and International Thomson PLC.

Mr. Hammer said the explosion apparently resulted from a natural gas leak in a compression chamber that was directly below the workers' quarters. The rig, which rose 150 feet (45 meters) above the sea, erupted into an inferno and tore in two.

Mr. Hammer said his company, as well as the British government, was investigating the explosion and what could be done to prevent a recurrence.

The industry has always feared catastrophic explosions on oil rigs, but until this disaster, the industry was confident that its safety measures were sufficient to prevent such a catastrophe. As a result, safety experts said, the industry did not treat the location of the living quarters as a pressing issue. But the

great loss of life and an anticipated insurance bill of nearly \$1 billion are expected to force the companies, unions and insurers to take a closer look at this issue.

The five oil fields shut down along with the Piper field after the explosion are likely to remain closed for many weeks, a spokesman for Occidental said Monday. The company has said Piper could be down for a year.

Industry officials said one reason the death toll was so great was that the fire after the explosions quickly engulfed the workers' quarters, making it hard for them to escape.

"When the first explosion occurred, there was complete darkness, and men were groping, trying to find exits as everything failed. Everything failed," Mr. Hammer said. "We had backups for the pumps. We had backups for the generators. There was such a tremendous explosion that everything was wiped out."

The rig's control room had dozens of sensors to detect gas leaks, but they apparently did not give enough warning during a series of massive explosions.

Advertisement for Drought Could Hit Canadian Wheat, featuring a wheat stalk and text about the impact of drought on wheat production.

Advertisement for Business School Lausanne, featuring a globe and text about computer and information systems courses.

Advertisement for Audemars Piguet watches, featuring images of various watch models and text describing their features.

BUSINESS ROUNDUP

MGM and United Artists to Be Split

Compiled by Our Staff From Dispatches

BEVERLY HILLS, California—MGM/UA Communications Inc. said Monday that it had agreed in principle to divide the company into two separate entities, MGM and United Artists, and sell 25 percent of MGM to Barris Industries Inc. for an estimated \$100 million.

The rest of MGM would be offered to MGM/UA shareholders, Triadna Corp., owned by Kirk Kerkorian, has about 82 percent of MGM/UA. Mr. Kerkorian will also retain control of United Artists.

MGM/UA said it would offer common shareholders the right to acquire MGM shares for \$8 each, or \$2 per share, or about \$100 million of new capital, would be contributed to MGM and the rest would be used by United Artists.

toward retiring debt of roughly \$400 million in long-term subordinated debentures.

After gaining control of Metro-Goldwyn-Mayer nearly two decades ago, Mr. Kerkorian split its movie division and casino business into two separate companies. The film operation had distributed its pictures through United Artists Co.

In 1981, after the debacle at United Artists with a costly flop, "Heaven's Gate," Mr. Kerkorian acquired that company from Transamerica Corp.

He then stunned the industry with the \$1.5 billion sale in 1985 of MGM to Ted Turner, the television entrepreneur. But Mr. Kerkorian retained control of United Artists and offered the public an interest in the company.

United Artists subsequently reacquired a variety of MGM assets, including rights to the MGM lion trademark and the film and television production operations.

Barris Industries is held by Burt Sugarman, an entrepreneur, and two movie producers, Peter Guber and Jon Peters.

Under the terms of the agreement, MGM, whose trademark is still seen on 3,600 films, including "Gone With the Wind," and "The Wizard of Oz," is to remain in the film and television production business and retain a stake in the distribution operation.

United Artists would remain in the film production business and retain its library of about 1,000 films, which includes the James Bond and "Pink Panther" series.

Mr. Sugarman, a film producer, has become involved in recent years in a number of diverse investments starting with control of Giant Portland Masonry Cement Co. of Columbia, South Carolina. He has acquired controlling interest in Barris, a television production company.

Giant recently made a bid for Media General Inc., a newspaper and television company, but was rebuffed.

The film credits of Mr. Guber and Mr. Peters include "The Color Purple" and "The Witches of Eastwick." They recently merged their production company with Barris.

By separating the two companies, Mr. Kerkorian appears to be diminishing the studio's chances of becoming a major factor in Hollywood. It no longer owns the valuable MGM library, which Mr. Kerkorian sold to Mr. Turner. Under the new agreement, MGM also will lose the United Artists library.

Mr. Kerkorian had indicated that a number of buyers were looking at MGM/UA. But few Hollywood executives expected that Mr. Kerkorian, who was asking about \$1.2 billion, or \$24 a share, for MGM/UA's 50 million shares outstanding, would find a buyer, because of the company's spotty performance and heavy debt load.

(NYT, Reuters)

Beecham Group Is Selling U.S. Cosmetics Subsidiary

Reuters

LONDON — Beecham Group PLC, the British pharmaceuticals group, said it has agreed to the sale of Beecham Cosmetics Inc., its last remaining cosmetic business in the United States for \$53.8 million (\$91.6 million).

The purchaser is a corporation organized by the management of Beecham Cosmetics Inc., Beecham announced.

Beecham Cosmetics Inc., whose products include the Jovan and Vio-Phash brands, is to be sold for

\$53.8 million in cash on completion of the agreement, which is expected within the next 30 days. The balance will be paid with an interest-bearing note, due 1998.

Under the agreement, Beecham will continue to market Jovan products in Britain, West Germany and the Middle East as well as some other areas. Beecham Cosmetics Inc., which last year had sales of about \$115 million, will also continue to make some skincare products sold by other Beecham units in the United States.

Beecham shares rose 4 pence on Monday to 476 pence each.

Beecham Group said the planned disposal of its last U.S. cosmetics business followed the sale in March 1987 of the group's two former U.S. subsidiaries, Germaine Monteil and Diane von Furstenberg Cosmetics.

Beecham said it would concentrate its U.S. activities in the pharmaceuticals, over-the-counter medicines and tollery businesses. Its cosmetics interests in Britain and in other countries would be unaffected by the U.S. sale, it added.

Cerus Plans Rights Issue

Reuters

PARIS — Cerus SA, the French holding company of Carlo de Benedetti, said Monday that it would make an eight-for-five rights issue to raise \$95.5 billion francs (\$644 million) in new cash. The 10.4 million new shares will be offered at 380 francs per share to shareholders of record between July 18 and Aug. 6. Cerus stock fell 10 francs to 440 francs a share on the Paris Bourse on Monday.

PULLBACK: U.S. Banks Changing Focus in London

(Continued from first finance page)

the part of many senior executives to get carried away with cutbacks because they fear such cuts could permanently damage a firm's competitive position.

"You can't be on the periphery of a business," said Charles McVeigh 3d, managing director of Salomon Brothers International Ltd. in London. "That is a prescription for disaster."

This reasoning rests on the crucial assumption that the sharp fall-off in trading and the return of investors to their home markets after the October collapse are temporary phenomena. Most outside analysts agreed with the bankers' reasoning.

"I don't see the events of the past year bringing a sea change for these

firms internationally," said Samuel Hayes 3d, professor of investment banking at the Harvard Business School. "They were enormously overextended, having grown incredibly in London. So there was a lot of fat there — and there's more left to go."

"But," he added, "the forces of technology, deregulation and the internationalization of business generally that drove them overseas initially remain in place."

Still, the big American investment banking houses have unquestionably entered an era of more limited resources, in which management skills and charting longer-term strategies will play a far greater role than was the case in the days before the collapse.

In the future, even if the global-

ization trend abruptly resumes, the dominant role of the U.S. dollar in international finance appears to be over and the United States is likely to remain a debtor nation for years to come.

Both trends have clear implications for the major investment banking houses.

"The U.S. firms will not have as big an investor base to tap as the Japanese, West Germans and Swiss," said Lowell Bryan, a principal for the consulting firm McKinsey & Co.

"But the strength of the American investment banks is the know-how and financial engineering skills of their people. So they will have to focus more on value-added areas requiring specialized skills and not on commodity-type products in the capital markets."

Goldman, Sachs: Carving a Niche in London

New York Times Service

LONDON — Like other big American investment firms, Goldman, Sachs & Co. has found that intense competition has diminished the allure that the London's "Big Bang" of stock and bond deregulation heralded.

But Goldman has been quicker than most to recognize this. More than year ago, the firm decided it would not bid so aggressively to win Eurobond underwritings, concentrating more on profitability than league-table rankings in the increasingly crowded Euromarkets.

By adjusting its strategy the firm now holds a leading position in such fee-earning businesses as mergers and acquisitions, property finance and underwriting international equity issues.

Goldman did not pull out of the Eurobond market, but it redirected its efforts somewhat to strengthen its sales and trading in debt securities denominated in non-dollar currencies such as French francs and Deutsche marks.

"At the time, Goldman, Sachs was roundly criticized by some rivals within the trade press for its lack of aggression and a strategy that would make it a second-class citizen among Eurobond under-

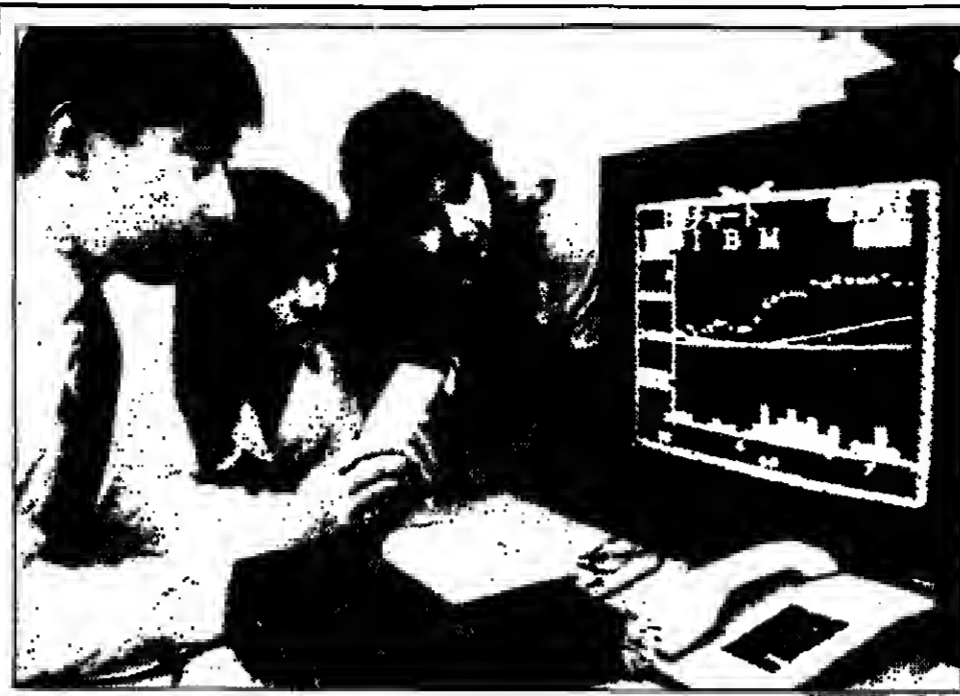
writers. But today, others seem to be moving in the same direction.

"A lot of our competitors were putting their chips on the Eurobond business," explained Robert Conway, managing director in charge of the Goldman Sachs office in London. "But buying market share in the Euromarkets is not the way you build relationships. And we want to be in a position where we are offering clients something other than our balance sheet."

Goldman Sachs' London unit, to be sure, did expand too rapidly, in retrospect, and it has been forced to cut back. It grew from 140 people four years ago to a peak of 800 people earlier this year, which has since been trimmed to 730.

The mergers and acquisition field is its most clear-cut success in more profitable, fee-earning activities. In the first quarter, Goldman, Sachs was the adviser on British takeovers valued at \$5.85 billion, placing it ahead of Morgan Grenfell Group PLC as the top-ranked takeover adviser.

— STEVE LOHR



Daiva Securities workers use a game computer to demonstrate their firm's home trading service.

Japanese Brokers Lure Investors On-Line

Reuters

TOKYO — Japanese securities houses are hoping that computers used by children for video games will entice adults to play at stock trading and thus help the firms maintain their income if fixed commissions are scrapped.

Many Japanese brokerage houses already provide home trading services through personal computers, but these are aimed mainly at institutional investors and large clients because of the high cost and complexity of such machines, analysts said.

The four leading firms, however, now plan to offer these services to the 12 million or 13 million households that own game computers.

Daiva Securities Co. is set to offer trading through family computers beginning this week, and Nomura Securities Co. plans for its service to begin later in the month. The two companies would follow Yamaichi Securities Co., which introduced such a service last year.

Nikko Securities Co. also plans a service but has not decided on details yet, a spokesman said.

Japanese securities houses have enjoyed booming profits because of active portfolio management by companies, but they are now paying more attention to individuals, partly to prepare for the possibility of market reform.

"The liberalization of commissions in Japan is inevitable, and one key to survival is acquiring as

many retail customers as possible," a securities house executive said.

Yamaichi introduced Sun-Line F, its home service, in July 1987. In March of this year, it offered Sun-Line F-II, an upgraded version. The system lets clients place buy and sell orders and provides data such as current stock prices, market news and analyses, by using a 10-key keyboard.

"There was a need for a cheap and easy-to-understand computer trading system. Computer experts aren't necessarily stock investors, and investors aren't necessarily computer experts," said Mitsubishi Securities, deputy general manager of Yamaichi's securities information section.

To use the service, an investor needs a game computer, which sells for less than 10,000 yen (\$75), an adaptor to connect the computer to a telephone and an integrated circuit card at a combined cost of around 20,000 yen. Information is displayed on a television.

Daiva had initially hoped to get 100,000 customers for its home trading service within two years, but had this many orders just two weeks after it began demonstrations on June 9, said Takayuki Nakajima, general manager of the firm's investment information services department.

Daiva Securities will charge 12,000 yen a year for the service, and Nomura plans a similar charge, compared with Yamaichi's 30,000 yen.

Reed Seeks £620 Million For a Management Buyout

Compiled by Our Staff From Dispatches

LONDON — Reed International PLC, the British paper, packaging and publishing group, said Monday that its planned sale of British and European manufacturing units to management will be for nearly £620 million (\$1.06 billion).

The plan was first announced in May. The sale is the final step in divesting its manufacturing activities to concentrate on publishing and the information business, Reed said in a statement.

Reed, which owns the Cahners and IPC groups of business magazines, said in May that it would get out of the paper-making business, selling the manufacturing subsidiaries along with a 400,000 metric ton-a-year newsprint plant in the Canadian province of Quebec.

The sale of the Quebec plant, to Daishowa Paper Manufacturing Co. of Japan, was announced in June, for 631 million Canadian dollars (\$521 million at the current exchange rate).

Of the purchase price for the British and European manufacturing businesses, £610 million will be paid in cash by Reedpack Ltd., a company formed by the senior managers of the units, on completion. About £8 million has already been realized from associated transactions, Reed said.

The businesses being sold comprise the Reed Manufacturing Group, which is involved mainly in paper, packaging and wholesaling office supplies. The £610 million price includes the settlement of inter-group loans, Reed said.

Angela Bawtree, publishing analyst with S.G. Warburg & Co., a

London brokerage, said that as a publisher, "the company should have commanded a higher share price rating than it had been. Now it will have a strong net cash position to make a series of acquisitions in publishing."

She said leveraged buyouts, of which Reed's is among the biggest seen in Britain, had been gathering pace before the October stock market slump. "I'm not sure we will see many more, but if we do, the number will be far less than what one would expect to see in the United States," she added.

Reed Manufacturing had trading profit of £62.3 million on external sales of £708 million in the year ended March 31, and net assets at that date of £194 million.

As part of the deal, Reed will hold shares convertible into 10 percent of the capital of Reedpack, should the company be floated or sold. It will subscribe for 60 million Reedpack preference shares on completion.

"In the majority of our product ranges," said Peter Williams of Reed Manufacturing, in a statement. "Reedpack has market leadership in the U.K., particularly in the areas of corrugated packaging, carton manufacture, plastic packaging and waste-based paper products." Mr. Williams is leading the institutionally backed buyout.

Reedpack takes in Reed Paper and Board U.K. Ltd., one of Britain's largest producers of paper and board, and the De Hoop paper division, a major paper maker in the Netherlands, a Reed spokeswoman said.

(Reuters, IHT)

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BAYERISCHE LANDESBANK 1987 GOOD RESULTS IN AN EVENTFUL YEAR

Highlights from the Consolidated Balance Sheet as of December 31, 1987

Assets	(in DM million)	Liabilities	(in DM million)
Cash	437.1	Due to banks	37,840.9
Bills	251.1	Other creditors	20,998.7
Due from banks	48,120.7	Bonds issued	50,595.7
Treasury bills and other securities	7,030.7	Loans on a trust basis at third-party risk	13,268.7
Due from customers	58,574.4	Provisions	985.5
		Profit participation rights	50.0
Loans on a trust basis at third-party risk	13,268.7	Nominal capital	950.0
Participations	511.1	Revenue reserves	1,866.0
Land and buildings	599.4	Profit available for distribution	66.5
Other assets	2,528.6	Other liabilities	4,699.8
Total	131,321.8	Total	131,321.8

- Consolidated Balance Sheet Total rises 8.2% to DM 131.3 billion
- Lending volume increases to DM 81.2 billion
- Issued bonds surpass DM 50 billion
- Interest surplus exceeds DM 1 billion
- Equity grows to DM 2.9 billion
- Solid contributions to growth and profitability from London, New York, Singapore, and Luxembourg
- Leading in introductions of international stocks to OTC market
- Own issues rated AAA and Aaa
- Good start in 1988

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Borrowers are hereby informed that CAISSE CENTRALE DE COOPERATION ECONOMIQUE will redeem, at par, all the notes on the above issue on August 16th, 1988.

The notes will be reimbursed, coupon No 21 and subsequent attached at the following banks:

- Bankers Trust Company New York
- Banque Bruxelles Lambert S.A. - Bruxelles
- Banque Nationale de Paris Paris
- Commerzbank Aktien-Gesellschaft - Frankfurt/Main
- Crédit Lyonnais - London
- Crédit Suisse - Zürich

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NOTICE TO SHAREHOLDERS

At the Extraordinary General Meeting and at the Annual General Meeting held on June 17, 1988 the shareholders of G.T. INVESTMENT FUND approved the following:

1. The amendment of the Articles of Incorporation in order to satisfy the requirements of the Law of March 30, 1988;
2. The conversion of the Company into a "Société d'Investissement à Capital Variable";
3. The extension of the duration of the Company to an unlimited period;
4. The split of each share in the two existing series (with respectively, coupon numbers 21-27 or no coupon attached) into three shares of equal value; such split to take effect from the close of business in Luxembourg on July 28, 1988; Shareholders who wish to exchange their old certificates for new certificates are advised that the old certificates must be presented to the banks listed below before August 30, 1988. After this date, old certificates will no longer be accepted for settlement on the Luxembourg Stock Exchange;
5. The payment on July 29, 1988 of a dividend of US\$0.033 per share to registered shareholders at the close of business of July 27, 1988 and to bearer shareholders against presentation of coupon no. 1 of the new share certificates.

Share certificates and coupon no. 1 should be tendered to the following banks:

- Banque Internationale à Luxembourg
- 2, Boulevard Royal, L - 2953 Luxembourg;
- Bayerische Landesbank, A.G., Kärntner Ring 14, D - 8000 München.
- Credit Industriel et Commercial,
- 66, Rue de la Victoire, F - 75009 Paris;
- Banca della Svizzera Italiana,
- 2, Via M. Magagni, CH - 6900 Lugano;

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CURRENCY MARKETS

DOLLAR: U.S. Unit Shrugs Off Central Bank Sales

(Continued from first finance page) The rally," said a U.S. bank dealer. "But the market seems to be getting a bit cocky about pushing the dollar higher."

Dealers noted that much of the latest phase of demand for the dollar seemed to come from commercial sources rather than from speculative currency trading, as corporate interests started to adjust long-standing bearish positions.

"Flows may be changing direction on a strategic view of the market," said David Deakin, senior foreign exchange manager with EBC Amro Bank in London.

The market should have a much clearer idea about the reasons for the dollar's recent rise and its future direction after this week's hectic schedule of events, dealers said.

London Dollar Rates

Table with columns: Currency, Rate, Bid, Ask. Includes Deutsche mark, Swiss franc, French franc, etc.

Apart from Friday's U.S. trade data, they will be paying close attention to the June Japanese trade figures to be released Tuesday, the testimony by the Federal Reserve Board chairman, Alan Greenspan, before Congress on Wednesday, and the Bundesbank's council meeting Thursday.

Separately, in Basel, senior European monetary officials said Monday that U.S. officials are happier

about the dollar's recent rise than are European central bankers.

"The U.S. is very happy with present developments because U.S. inflation is not going up," one official told reporters on emerging from a meeting of Group of 10 central bank governors at the Swiss-based Bank for International Settlements.

Asked if there was a difference of opinion between European central banks and the United States on the dollar, another official said: "There is a different perception, not on policy but more on the priority of concerns."

The second official said Japan tended to side with the United States on the matter. Both officials spoke on condition that they not be named. (Reuters, UPI)

Feldstein Sees Dollar Drop

Agence France-Press

TOKYO — Martin S. Feldstein, chairman of President Ronald Reagan's Council of Economic Advisors from 1982 to 1984, said Monday that the dollar needed to fall at least 25 percent against the yen to restore a balance in inflation rates between the two countries.

Mr. Feldstein said at an annual meeting of business leaders from Japan and the United States that the dollar needed to drop to 100 yen within one to three years, the Jiji press service reported.

Wholesale prices in the United States are rising at an annual rate of 6 percent, Mr. Feldstein said, while those in Japan are falling.

"The dollar should depreciate at least about 10 percent against the yen in order to fill the current gap between the inflation rates in the two countries," he said.

The dollar, fueled by the release Friday of unexpected strong employment figures in the United States, closed at 133.60 in Tokyo on Monday, up from 132.50.

"I think American and Japanese businessmen, as well as our governments, should be basing their plans and policies on the premise that the dollar will continue to decline in the months and years ahead," he added.

August Rise Seen for Japanese Prime Rate

TOKYO — Japan's three long-term credit banks are likely to raise their prime rates to 5.7 percent in August from the current 5.5 percent, officials at the banks said Monday.

But they could lift the rate to 5.8 percent, or higher, if the yen bond market falls enough in the next two weeks, the officials said.

The rise will reflect increases in domestic long-term interest rates since late June, which have resulted from the yen's sharp decline against the dollar.

A decision on raising rates could be left until as late as July 25, the officials said.

Such a rise would be the first since October 1987, when the rate was raised to 5.5 percent from 5.2 percent.

The three long-term credit banks are Industrial Bank of Japan Ltd., Long-Term Credit Bank of Japan Ltd. and Nippon Credit Bank Ltd.

Their exclusive right to issue debentures with maturities as long as five years allows them to borrow more cheaply than other Japanese banks, enabling them to act as wholesale banks.

The 4.8 percent, five-year debentures issued by the banks from last October to January are currently trading near par, while their 4.6 percent debentures issued in July are yielding around 5 percent, for a price of around 98.50, bond dealers said.

The long-term prime rate is customarily set 0.9 of a point above the coupon rate on five-year debentures issued the same month.

"The coupon in August could thus be 0.2 to 0.4 of a point higher, but the banks and the Finance Ministry would rather have the smallest rise possible," said a dealer at a Tokyo brokerage.

The 4.8 percent yield is probably a more reliable benchmark than 5 percent on which to calculate the new prime rate, dealers said.

RATE: Bundesbank Expected to Boost Interest Costs to Counter West German Inflation

(Continued from first finance page) really looking at economic fundamentals right now. It is dominated by the feeling that the Reagan administration is trying to keep the dollar strong until after the presidential election in November.

Hermann Rempfer, an economist with Berliner Handels- und Frankfurter Bank AG, said: "Since the Bundesbank said it based its interest rate increases of two weeks ago largely on exchange rate developments, I think the market speculation on a further increase is well founded."

He also noted the close dependence between the call money and Lombard rates. The call money rate, the interest rate at which banks borrow funds overnight from one another, was quoted at 4.50-4.60 percent Monday in

Frankfurt, up from 4.45 percent Friday.

West Germany previously boosted its key interest rates on June 30, when the Bundesbank raised its discount rate to 3 percent from a post-war low of 2.5 percent and lifted the rate on its securities-repurchase operations to 3.75 percent from 3.5 percent. The Lombard rate was left unchanged.

The discount rate is the rate charged on bank's medium-term borrowings from the central bank against securities as collateral.

Those moves signaled the Bundesbank's commitment in supporting the mark, limiting the dollar's rise and slowing the flow of capital out of West Germany to nations with higher interest rates.

They also showed the West German central bank's traditional concern with inflation, and its commitment to pulling the nation's money supply, currently growing at 7.5 percent annually, back into its target range of 3 to 6 percent growth in 1988.

Although capital outflows are leveling off, the dollar has remained strong, boosted by a string of favorable U.S. economic statistics which prompted speculation that the U.S. Fed will raise interest rates to cool growth and inflationary pressure.

The dollar has also benefited from rumors of a secret U.S.-Japanese accord allowing it to rise ahead of the U.S. presidential elections in November.

But economists said that after factoring in inflation, real interest-rate differentials have narrowed considerably in recent weeks and that the idea of a secret, bilateral accord between the United States

Saudi Arabia Makes Third Bond Offering

MANAMA, Bahrain — Saudi Arabia has made its third bond offering in a month on money markets unsettled by rising dollar interest rates and uncertain oil prices.

The Saudi Arabian Monetary Agency, in a telex, offered Saudi banks 1.5 billion riyals (\$400 million) of government development bonds in one- to five-year maturities.

The offering came amid speculation among bankers that the government, hit recently by falling oil revenues and a dollar firming on international exchanges, would soon devalue the riyal.

A devaluation would increase riyal earnings from oil exports, since most government oil revenue is received in dollars.

Saudi devaluations have in the past come on Sundays. But on Sunday of this week, Saudi Arabia dismissed suggestions that it might devalue its currency.

Finance Minister Mohammed Ali Abal-Khalil said: "This possibility is not likely at all."

The bond program, the first major Saudi government borrowing in 25 years, was introduced to help bridge an expected 35.9 billion riyal budget deficit.

Bankers said they expected a weak response to the weekend offering.

They said it seemed clear that the Saudi monetary agency had fallen into a pattern of a 1.5 billion riyal bond issue every two weeks, with yields closely following those for U.S. Treasury notes.

They calculated earnings on Saturday's bonds at 0.35 to 0.5 percent above that for Treasury notes.

The bond yields ranged from 8.05 percent for one-year maturities to 8.55 percent for two years, 8.75 percent for three years, 8.95 percent for four years and 9.15 percent for five years.

Bankers estimated that just under 1 billion riyals had been taken up on the first bond offering on June 11.

"Interest in the second was less than the first, and I suspect the third will be even less," said one banker.

"The bonds came in a period of international uncertainty. People don't know what will happen to the dollar," he added.

Bankers said that if the dollar continued to rise, the Saudis would be increasingly tempted to devalue.

The riyal has stood at 3.75 to the dollar since June 1986.

Similarly, if oil prices continued to slide, the Saudi government would be forced to look for ways to fund the widening budget gap.

Although Saudi authorities have shown willingness to allow a secondary market in the bonds in clear, bankers say it is still not clear what shape it will take.

"With the lack of finishing touches and the mystery in international markets, how can you manage your interest rate risk?" asked one banker.

Monday's OTC Prices. NASDAQ prices as of 4 P.M. New York time. This list, compiled by the AP, consists of the 1,000 most traded securities in terms of dollar volume. It is updated twice a year. Via The Associated Press.

Table of OTC prices for various stocks including AAW, ADC, ADI, etc.

Table of stock prices for various companies including AAW, ADC, ADI, etc.

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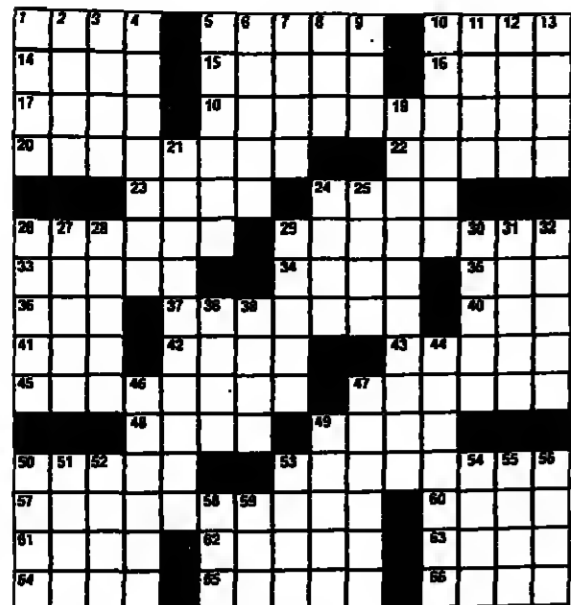
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PANY 1988. Developments in legal and financial decision-making. Published by Business Development with the International Herald Tribune.

Monday's AMEX Closing. Tables include the nonvolume prices up to the closing on Wall Street and do not reflect late trades elsewhere.



ACROSS

1 Unattractive feature
5 "These studies are — to the young... Cicero
10 Octagonal sign
15 Roman road
16 "Mind one
18 Meerschaum
17 Item in a certain parlor
18 Phrase from "Robert's Rules"
20 Suggests
22 Dorothy, to Em
23 Patters
24 Post for a ship's line
26 The Scourge of
29 Profits
33 Danke, in Dajan
34 Price for poker
35 Wine: Comb.
36 nutshell
37 With 38 Down, business association
40 Hilo floral arrangement
41 Gently bob
42 Fallers
45 Chests of drawers

DOWN

1 Handful of straw
2 Suffix with com
3 Decorator's verb
4 Barter
5 One-celled protozoan
6 Turns, as milk
7 Places
8 Org. for G.I.'s
9 N.F.L. official
10 EU
11 This might be
12 Kuwait, Qatar, etc.
13 Le... Noël
15 Up for debate, as a bill
19 Legislative tactic
24 Sergeant Pepper's
25 Analogy-test words
26 "A heart unfortified... impatient"
27 Purport
28 See 37 Across
29 Transports of sorts
30 Ala. city
31 Awkward
32 Capophony
38 Humdinger
39 River at Leeds
44 Interior parts of engines
46 Furtive
47 Sluggish, feckless bees
48 "I'm not a... composer
50 Meal
51 Pernicious
52 Infamous fiddler
53 Jewish month
54 Prank
55 Cato's 57
56 Kennel sound
58 Distinctive doctrine
59 Generic letters

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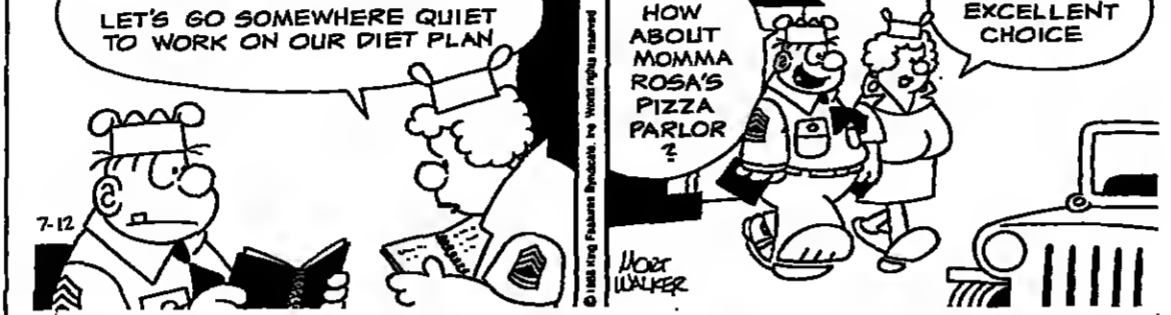
PEANUTS



BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



WEATHER

EUROPE	HIGH	LOW	ASIA	HIGH	LOW
Albania	18	14	Bangkok	28	24
Amsterdam	18	14	Beijing	32	28
Athens	22	18	Hong Kong	30	26
Berlin	18	14	Manila	28	24
Brussels	18	14	New Delhi	32	28
London	18	14	Singapore	30	26
Madrid	22	18	Taipei	28	24
Moscow	18	14	Tokyo	28	24
Paris	18	14			
Rome	22	18			
Stockholm	18	14			
Warsaw	18	14			
Zurich	18	14			

World Stock Markets

Market	Index	Change	Market	Index	Change
Amsterdam	1430	+14.00	London	1430	+14.00
Brussels	1430	+14.00	Paris	1430	+14.00
Frankfurt	1430	+14.00	Stockholm	1430	+14.00
Geneva	1430	+14.00	Zurich	1430	+14.00
Madrid	1430	+14.00			
Moscow	1430	+14.00			
Prague	1430	+14.00			
Warsaw	1430	+14.00			
Winnipeg	1430	+14.00			

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BOOKS

UNSENT LETTERS: Irreverent Notes From a Literary Life

By Malcolm Bradbury. 218 pages. \$16.95. Viking Inc., 40 West 23d Street, New York, N. Y. 10010.

Reviewed by Jonathan Yardley

MALCOLM BRADBURY is a formidable literary fellow: professor of literature at the University of East Anglia, authority on contemporary American fiction, author himself of a number of smart, witty novels, among them "The History Man." "Rates of Exchange" and "Cuts." Though these novels roam far afield — to the studios of an independent television network and the conference rooms of a fictitious East European country, among other places — they are rooted, as is Bradbury himself, in the universities, "communities of largely good, decent, brilliant, enlightened people, committed to the best of ends, such as the survival of humanism and the differentiation between B+ and B-."

But notwithstanding all this busy literary and scholarly activity, Bradbury is not, he tells us, "exactly a good correspondent." He composes letters in his mind, he says, "but the trouble is I never write them down." Now, it is a collection of letters, largely literary by nature, "about art and creativity, research and scholarship, publishing and editing, earning a living and making a crust, writing for the market, writing for art, writing for television, writing for posterity" — not to mention "liter-

ary reminiscence and literary advice, some wisdom for literary neophytes and aspirants, who love a bit of wisdom if you call it concise writing, some sage academic reflections, a piece of amazing Nabokovian scholarship, and some broader glimpses of the academic world, in which I do happen to spend quite a portion of my so-called existence."

If that sounds quite a tall order, then it may come as no surprise that Bradbury largely fails to fill it. "Unsent Letters" is a curious and unsatisfying piece of work, one in which occasional flashes of brilliance are set among more frequent displays of mere cleverness and self-indulgent display. It seems that Bradbury the novelist is a considerably more congenial companion than Bradbury the correspondent and that for the most part these letters should have remained, as they were, unsent.

Indeed it is somewhat puzzling that Bradbury should represent them as letters at all, for in fact they are essays and meditations, and would have been presented more agreeably as such; as it is, following introductory material they are set in unpleasantly small type, a practice that simply makes them more difficult to read. Whatever the case, they do cover — or at least allude upon — the various subjects mentioned above, and along the way they serve up some well-shaped observations.

Thus, for example, in his defense of the "university novel," Bradbury notes that "it is with genres as with sports cars; once inside one, you will never get out of it again — except, perhaps, by death or the taking of a pseudonym, whichever is easier." Later he contemplates the dangers of self-regard: "Sometimes, once the idea of writing an autobiography arises, one grows a little more sentimental in one's say and does." Still later: "Little did I know it at the time, but misreading was just becoming the thing in literary studies. Whole departments of it were set up in the United States, and the practice came here, too, as it always does."

That Bradbury is smart and erudite is beyond question, as any admirer of his fine novels well knows. But in these "university novels" he actually goes well beyond the groves of academe, finding universal themes and reflections in the lives of quite ordinary academic folk. Here, though, he never gets out of the grove; instead he quite unwittingly remains in it, how narrow and provincial academia can be, when it looks not to the real world beyond, but into the mirror at itself.

Jonathan Yardley is on the staff of The Washington Post.

Solution to Previous Puzzle

A	L	A	I	S	P	L	A	V	O	W	A	R	P
L	I	D	I	N	E	D	A	M	E	D	O	V	E
E	Z	R	A	A	L	E	N	E	R	E	N	O	
C	A	T	C	H	W	O	R	D	S	D	R	I	P
S	A	K	I	S	I	S	S	E	I				
S	O	O	E	P	I	C	A	R	E	A	R	E	S
A	T	O	P	E	N	A	L	A	S	T	E	R	
C	I	G	A	R	D	I	N	E	S	M	I	O	
C	E	S	A	R	Z	E	A	L					
S	H	E	B	A									
G	R	E	W	W	A	T	C	H	W	O	R	D	S
A	E	R	O										
P	A	I	R										
S	P	E	D										

CHESS

By Robert Byrne

THE Arnold Cup, a 30-player invitational-open tournament in Gausdal, Norway, April 30 to May 7, was won in fine style by the Czechoslovakian grandmaster Vlastimil Jansa. He scored 9-2 to take the \$968 first prize in the Swiss-system competition.

Second place also went to a Czechoslovakian grandmaster, Karel Mokry, who tallied 6½-2½.

Third place was shared by the grandmasters Eduard Meduna of Czechoslovakia and Edmar Medois of Queens. Each scored 6-3.

Jansa gave an excellent example of his skill in attack in his game with the British international master William Watson.

The system combining 6 B-QB4 with kingside castling for White against the Dragon Variation of the Sicilian Defense does not allow Black the sharp counterattacks he gets when White castles queenside, as in the Yugoslav Attack, and it usually leads to a quieter game. The plan of liquidating the center with B...Nc3 yields White some endgame superiority after 9 Nc2, P-Q4; 10 N-QN5?; P-Q3; 11 Q-N3; Q-Q4; 12 BxQ; P-N3; 13 P-QB3; N-B3; 14 B-N5.



crushing 27 P-P; BxP; 28 Q-B4, Q-B2 (or 28...N-B5; 29 R-KB1, B-KN2; 30 Q-B7ch, R-K1; 31 B-B6, R-KN1; 32 R-K1 with annihilating effect); 29 RxP!

In a lost position, Watson's 27...B-B6? was evidently a time-pressure blunder, which cost him heavy material after 28 BxN1, BxR; 29 BxR, KxR; 30 R-K8ch! Watson gave up.

The Englishman tried 21...N-K3, but after 22 P-B5, Jansa's attack was not to be broken. After 22...Nc3; 23 Q-BxN, NxBP; 24 NxBch, R-N3; 25 BxP is too strong for White.

Sydney

ANZ	4.70	4.72
BHP	6.40	6.10
Commonwealth	4.30	4.25
Bank New	2.70	2.70
Bank West	2.50	2.50
Bank of Australia	2.40	2.40
Bank of New Zealand	2.30	2.30
Bank of Queensland	2.20	2.20
Bank of South Africa	2.10	2.10
Bank of Victoria	2.00	2.00
Bank of Western Australia	1.90	1.90
Bank of New South Wales	1.80	1.80
Bank of Tasmania	1.70	1.70
Bank of Northern Territory	1.60	1.60
Bank of Queensland	1.50	1.50
Bank of South Africa	1.40	1.40
Bank of Victoria	1.30	1.30
Bank of Western Australia	1.20	1.20
Bank of New South Wales	1.10	1.10
Bank of Tasmania	1.00	1.00
Bank of Northern Territory	0.90	0.90
Bank of Queensland	0.80	0.80
Bank of South Africa	0.70	0.70
Bank of Victoria	0.60	0.60
Bank of Western Australia	0.50	0.50
Bank of New South Wales	0.40	0.40
Bank of Tasmania	0.30	0.30
Bank of Northern Territory	0.20	0.20
Bank of Queensland	0.10	0.10
Bank of South Africa	0.00	0.00

Zurich

Amst	124.00	124.75
Basel	124.00	124.75
Bern	124.00	124.75
Geneva	124.00	124.75
London	124.00	124.75
Madrid	124.00	124.75
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Chugoku	124.00	124.75
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SPORTS

Cyclist's Opportunity Knocks

New Zealander Gets 'Cinderella' Shot at Tour de France

By Samuel Abt
International Herald Tribune
WASQUEHAL, France — The night before the Tour de France began in Brittany, Nathan Dahlberg was home in Ghent, Belgium, 1,000 kilometers away, cooking dinner. Then he heard a knock at the door.

"I was just standing around, making my meal," Dahlberg remembered. "Nothing fancy, just rice and bean sprouts with a bit of tomato, a bit of cucumber."

"I had ridden a race that day and I was hungry as well as tired. It was 9 o'clock at night, and I wondered who was knocking."

"As always in fairy tales, it was opportunity. The Belgian who stood at the door told Dahlberg that the 7-Eleven bicycle team had telephoned from France to say that a rider had just been injured and that Dahlberg was needed to replace him."

"I had ridden a race that day and I was hungry as well as tired. It was 9 o'clock at night, and I wondered who was knocking."

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Sliding hard, Pittsburgh's Rafael Belliard prevents Dodgers shortstop Dave Anderson's double play.

Big Hitters: Less-Than-Stellar All-Stars

The Associated Press
CINCINNATI — From Joe DiMaggio to Don Mattingly, baseball's biggest hitters usually do little to turn the All-Star Game into an offensive showcase.

There is no reason to believe that the sluggers in the 59th All-Star Game, on Tuesday night in Cincinnati, will be any different.

"Normally I say I can climb better than anything else," he said. "I'm more a strong rider than a quick one and I'm pretty self-motivated, so that should keep me going."

"I had the same experiences," Neel acknowledged. "He lives in a cold-water flat in Belgium and you should see the one I used to live in. I thought, 'This guy deserves it.' A lot of people out there don't get the chance."

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Maddux Wins 15th As Cubs Beat Padres

Compiled by Our Staff From Dispatches
SAN DIEGO — Greg Maddux notched his major-league leading 15th victory and had the game-winning RBI on Sunday to pace the Chicago Cubs to a 4-2 triumph over the San Diego Padres.

Maddux, who extended his winning streak to nine games, drove in Angel Salazar from second base with a single in the seventh inning to break a 2-2 tie.

The Cubs added a run in the seventh when shortstop Gary Templeton failed to handle a throw to second. That allowed Maddux to score from second base.

The complete game was the eighth of the year for Maddux. The 22-year-old right-hander allowed nine hits, struck out four and walked two.

"It felt like it was an uphill battle the whole way," Maddux said. "They had runners in scoring position all day but never cashed in," he added. "That's a sign of catching breaks. The last thing I ever expect-

The designated hitter will make its all-star debut at Anaheim Stadium, home of the California Angels, next season. It will not be used in the 1990 game, which is scheduled for Wrigley Field in Chicago, home of the Cubs.

The logic of using the designated hitter in the All-Star Game is that it permits more hitters to appear, thus making the managers' job of selecting players easier. Pitchers often are removed for pinch-hitters in the game, but they do bat sometimes.

The use of the designated hitter in the World Series changed in 1986. From 1976 through 1985, the designated hitter was used in the World Series in alternate years. Beginning in 1986, though, teams were permitted to use designated hitters in games played in American League parks every year.

The American League adopted the designated hitter for the 1973 season as a way of increasing run production. The National League, however, has always voted down the designated hitter whenever it has been brought up.

Kansas Under Investigation by NCAA

LAWRENCE, Kansas (AP) — The University of Kansas, which won the national basketball championship this year, is under investigation by the National Collegiate Athletic Association for alleged recruiting violations involving the basketball program, the university said Monday.

Jobson Captures Liberty Cup in N.Y.

NEW YORK (UPI) — Gary Jobson of the United States won the 1988 Liberty Cup yacht racing championship on Sunday, compiling a 10-1 record in the four-day event sailed in New York Harbor.

At Golf's British Open, Preparation Is Everything

By Gordon S. White Jr.
New York Times Service
AUCHTERADER, Scotland — Bobby Jones spent nearly a month in England and Scotland in preparation for the 1926 British Open, which he won after hitting a spectacular 175-yard bunker shot to the 17th green in the final round at Royal Lytham and St. Annes, a course in Lancashire, on the west coast of England.

Lane achieved his first PGA European Tour victory at Gleanags le's King's Course. But Sandy Lyle, the Scot who won the Masters in April, strengthened his position as one of the favorites in the British Open when he eagled the 72nd hole to the Jose Rivero of Spain for second place in the Scottish Open.

SCOREBOARD

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